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PREPAREDNESS, PLANNING AND
ECONOMIC SECURITY PROGRAM (PPES)

SEMI-ANNUAL REPORT #10

OCTOBER 1, 2010 – MARCH 31, 2011

April 20, 2011

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Preparedness, Planning and Economic Security Program (PPES)

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DISCLAIMER

The author's views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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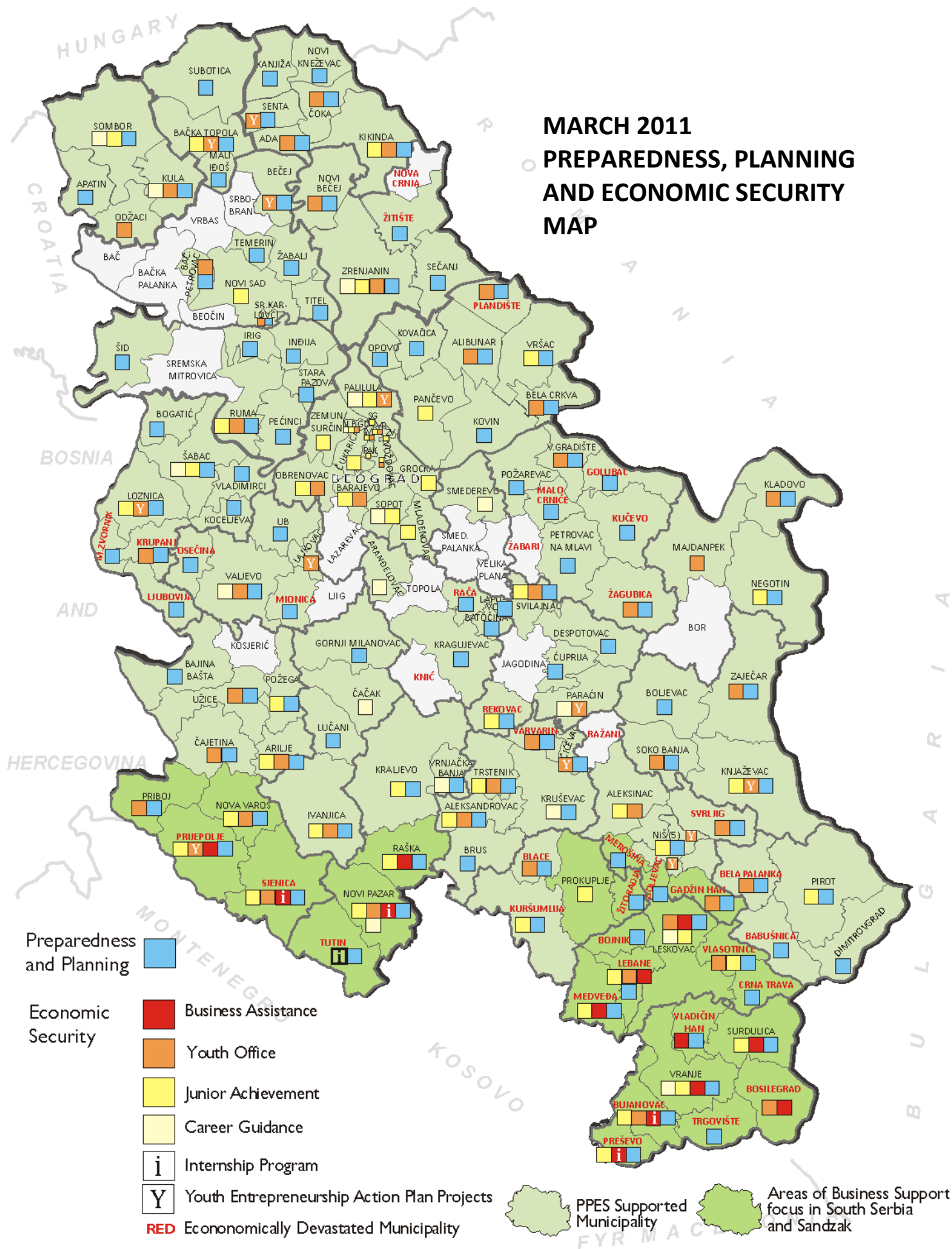
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MARCH 2011 PREPAREDNESS, PLANNING AND ECONOMIC SECURITY MAP



Development Alternatives, Incorporated (DAI) is pleased to submit this tenth Semi-Annual Report for the Preparedness, Planning and Economic Security Program (PPES) covering the period from October 1, 2010 to March 31, 2011.

INTRODUCTION

This Semi-Annual Report, like the nine before it, provides information and data to demonstrate that the program continues to meet and exceed expectations. The benchmarks PPES has reached and the milestones passed have been accomplished for the most part with partners that faced serious economic challenges. Both components work extensively in economically underdeveloped communities. In fact, PPES has programs in 87 percent of Serbia's 40 most economically challenged communities – those deemed economically devastated municipalities¹.

For Preparedness and Planning it meant that the small rural municipalities it partners with have fewer financial and material resources for disaster preparedness and response. For Economic Security, working in the two of the most economically challenged regions in Serbia, it meant working in areas where infrastructure and business support systems had been neglected for years. And, for Youth, it meant helping young people find opportunities in regions where unemployment is as high as 70 percent in some communities. Thus, program accomplishments that are strong in the best of conditions are especially significant. They speak to the program's success in project design and implementation; more importantly, they have had a major impact on the quality of life for our partners and their communities.

Despite these challenging economic conditions, PPES found its partners ready to be leaders. The trust developed between PPES and its program partners led municipal mayors to form a partnership with the national government to improve the country's disaster management system, guided business owners to cooperate and collaborate with colleagues and competitors to achieve greater success for all, and convince Youth Offices to accept a leadership role in solving unemployment within their municipalities and young people to accept personal responsibility for their futures.

PREPAREDNESS AND PLANNING

The Preparedness and Planning team has trained 80 municipalities in modern disaster planning and management. This represents well over 50 percent of Serbia's municipalities, and, over the next four months, that figure will grow to 70 percent or 120 communities. Fifty-two of these municipalities earned *Enhanced Disaster Resilient* certification, which means they have written and made law the ordinances and organization for proficiently managing disasters. Through these trainings, 1,440 first responders developed new knowledge and skills in emergency management; they also have learned how to organize the broader community to participate in prevention and preparation for emergencies as well as how to engage and communicate with the community when disaster strikes. Many have taken steps to reach across municipal and country borders to share information and prepare prevention projects.

Solving problems of Economically Devastated Communities

- Preparedness and Planning has reached 87% of Serbia's economically devastated communities.
- Economic Security has business support or youth activities in 73% of the country's economically devastated communities.

¹ The Government of Serbia has classified certain communities as economically devastated based on rates of unemployment, income, and economic development compared with the national average.

These results are all the more impressive with the understanding that when PPES first offered this training and technical assistance, the national government expressed little interest in emergency management modernization. Finding the municipalities much more receptive, the program started in 2006 with just 14 communities. Lessons learned each year helped PPES refine its methodology so that participating municipalities now can earn certification in just nine months, a significant decrease from the two years it initially required.

The training and technical assistance transformed municipalities' thinking about emergency management. The shift in attitude starts with the formation of a disaster management team that includes officials from many different parts of local government – a PPES certification requirement.

By choice, PPES municipalities are reflecting their new focus on emergency management in their budgets. A study of available municipal budget data reveals that:

Preparedness and Planning

Just five years ago, Serbia's emergency management structure was spread across five ministries and the lack of coordination made the country dependent upon international help in the face of serious disasters.

Today, the country is leading international initiatives for safer communities and the PPES emergency management methodology is recognized as the standard within Serbia and among international organizations as the model for preparing local governments in disaster management.

1. Certified municipalities are budgeting, on average, nearly 25 percent more per capita from 2009 to 2011 than non-certified municipalities;
2. Despite budget cuts of nearly 30 percent in the face of the financial crisis (2009-2010), municipalities maintained the same level of emergency management funding as a percentage of their overall budgets from 2008 to 2010 and nearly doubled the percentage of their allocation in 2011;
3. Municipalities are investing more in prevention – nearly tripling funds devoted to prevention projects.

The success of the PPES emergency management methodology has saved lives and property, thereby reducing the overall costs of new disasters. A commonly cited estimate of the value of investment in preparedness is that every dollar invested in prevention saves four dollars in future disaster response.

Strengthening National Capacity

PPES worked with the Ministry of Interior's Sector for Emergency Management (SEM) and its National Training Center (NTC) to develop the curriculum to train all municipal Mayors in their roles and responsibilities as heads of Disaster Management Teams. The trainings, begun in March, represents the first time that the national government has made local-national partnerships a high priority for the overall emergency management system in Serbia. The Mayors' training also is the first wholly managed by the NTC.

In addition, Serbia's national-local partnership model continues to attract international attention. With the inclusion of 18 Serbian cities in the U.N.'s International Strategy for Disaster Reduction (UNISDR) – representing half of the total European cities accepted into the program – PPES methodology for local emergency preparedness is now viewed as a model to be replicated throughout the region and has helped Serbia address an important EU accession issue.

PPES' Preparedness and Planning staff was recently invited to join the drafting team for a National Strategy for Protection and Rescue, an activity lead by the SEM. PPES and the SEM created a vision and mission statement to set direction and build cohesion while the planning process is ongoing.

Vision: Every municipality in Serbia is disaster resilient

Mission: To achieve this vision, the Sector's mission is to:

- Establish standards for government performance;
- Build capacities and partnerships at all levels to meet those standards;
- Mobilize required resources;
- Monitor performance; and,
- Recognize achievements and address weaknesses.

ECONOMIC SECURITY

Despite working in some of the most underdeveloped regions of Serbia – during a few of the most economically challenging years in recent history – Economic Security's beneficiaries continue to grow, reach new markets, start new businesses and create new jobs. In this reporting period some of the team's most significant results include:

- PPES-supported companies achieved sales growth of 57 percent from 2007 to 2010; during this same time, exports, as a percentage of total sales, has grown from a negligible amount in 2007 to 34 percent in 2010.
- Three PPES-supported companies from South Serbia have invested in new factories in two economically devastated municipalities and are creating over 160 new jobs.
- 120 PPES-supported companies have reached at least one new market since starting to work with the program. Most recently, fashion producers from Novi Pazar have established a permanent market presence in Poland with the signing of an agreement with a Polish wholesaler and the opening of a showroom.
- More than 500 additional young people were provided business training and the potential to access financing to start a business. 1,550 youth have received such training to date, resulting in a reduction of unemployment among participating youth and the creation of at least 160 new businesses.
- Overall funding for Youth Offices has grown by over 40 percent between 2009 and 2011, even as the economic crisis forced local governments to reduce spending in FY 2010.

Business Support Activities

Final sales data for 2010 was available for this reporting period. It showed that PPES companies fared relatively well during the economic crisis. In addition to the 57 percent overall sales growth among program-supported companies from 2007 to 2010, a greater number of companies experienced sales growth each year than suffered decline and just over a third of the companies enjoyed continuous growth across all years.

Export Sales: PPES activities in ISO certification, re-branding and marketing materials, trade fairs and trade mission visits prepare its companies for export and align them with Serbia's national strategy to build a more export-oriented economy. As Serbia enjoyed a \$1.36 million trade surplus with CEFTA partners, PPES companies entered 16 new markets and the 56 companies that trade internationally have generated more than \$26 million in export sales since 2007.

PPES' food sector efforts produced the greatest results in export sales this year. Its 15 exporting food companies enjoyed nearly 600 percent growth of export sales from 2009 to 2010, from just under \$1.5 million to \$10 million.

Trade Fair Results: PPES-supported company attendance at three trade fairs during the current reporting period – the Belgrade Furniture Fair (November 2010), the Tirana General Fair in Albania (November 2010) and the Poznan International Fashion Fair in Poland (March 2011) – generated \$1.1 million in confirmed new sales revenue. Twenty-four companies participated in these fairs.

Since 2008, with an investment of just over \$400,000, PPES has helped companies from South Serbia and Sandzak realize more than \$11.5 million in new sales (for a return on the program's investment of 29 to 1).

Youth Office Support

The Economic Security team activities helps Serbia's youth become more influential in the economy through two main focal points: it helps them become more competitive for jobs and it prepares them to start a business. The approach combines direct support of individuals to build entrepreneurial and leadership skills with strengthening the institutions that serve and support young people, especially local Youth Offices.

Working closely with the Ministry of Youth and Sport (MoYS), PPES' Youth Office support aligns with the National Strategy for Youth, focusing on one of its key objectives – reducing youth unemployment. Since 2008, PPES has worked with 98 of the country's 114 Youth Offices. The program has conducted training of Youth Office Coordinators and introduced entrepreneurship training for 1,550 individuals in 87 municipalities.

From the time PPES started working with municipal Youth Offices, their importance has grown within local government. Even as local governments were forced to reduce spending in FY 2010 due to the economic crisis, the overall funding for Youth Offices has grown by over 40 percent between 2009 and 2011.

Business Support

With the inclusion of trade mission visits to better prepare for trade fair participation, Economic Security's apparel companies achieved results this period that were three times those from trade fairs during the same time period last year. Their efforts progressed to the point of opening permanent showrooms in new European and regional markets. These businesses now are vital players in Serbia's strategy to become a more export-driven economy.

YEAP Activity

The Youth Entrepreneurship Action Plan (YEAP) process, which now has 23 municipalities participating, is an innovative solution to the high rate of youth unemployment experienced by all municipalities. Among the 12 municipalities that implemented a YEAP in 2010, more than 900 youth were direct beneficiaries from one of the 22 separate projects. The municipalities targeted three core goals:

- Business development programs to support youth entrepreneurship;
- Career counseling services to help young people research career choices and conduct better job searches (prepare better resumes, interviewing techniques); and
- Rural job or business opportunities to stem the youth exodus from villages for employment

Youth Entrepreneurship

Youth Entrepreneurship

Recognizing the gap between Serbia's public education and the needs of business, PPES is providing the tools of entrepreneurship to the country's Youth Offices and more than 1,500 young people. Through its activities, PPES has changed the language of employment among youth from "waiting for a workplace" to "searching for a job."

PPES activities also give rural youth reasons to stay in their hometowns and build opportunities for themselves and the next generation.

In this reporting period, PPES trained 517 young people interested in starting a business or strengthening a new one. Since 2009, PPES has held 153 of these trainings for 1,550 youth from 82 municipalities. Surveying participants from 2009-2010, the Economic Security team learned that among the 471 respondents, unemployment dropped by 25 percent.

The training provides young entrepreneurs with business basics, support in developing a business plan and information on how to apply for credit. While not all entrepreneurs needed credit to start or expand a business, some do. Among the responding past participants, 44 have applied for funding for their business idea or plan. Nearly half (20) were successful, obtaining just over \$208,000 in total funds for PPES participants. Among the 2009-2010 participants, 33 of them started a new business. Assuming the same rate of business start-ups hold true for the entire cohort of youth trained by PPES, a reasonably conservative assumption, the training will have resulted in the creation of more than 160 new businesses.

Junior Achievement

Unquestionably, JAS continues to emerge as the premier nationwide public school entrepreneurship education program. With PPES support, it has achieved extraordinary growth over the past three years offering programs to nearly seven times as many students and in nine times as many schools across Serbia.

JAS began working this period with a U.S. consultant who specializes in creating fundraising (development) plans for non-governmental and voluntary organizations. Initial results are encouraging – since October Junior Achievement Serbia has raised \$65,000 in new private funding, 73 percent of which are unrestricted funds – those that can be used as JAS chooses, including to sustain operations and management. This is an important shift for JAS fundraising, which increased significantly in 2010, but 83 percent of the funds last year were earmarked for specific activities making it difficult for JAS to improve or expand operations. Table 1-1, highlights JAS' new fundraising success.

Junior Achievement:

PPES reinvigorated Junior Achievement Serbia (JAS) from a relatively unknown organization to a model European JA chapter on the path to self-sustainability.

Between 2008 and 2001, it has grown from:

- 750 students to more than 5,000;
- 39 trained teacher/mentors to 358;
- 21 schools hosting program to 180; and,
- 8 participating municipalities to 62.

 **JAS Private Fundraising 2008-2011**

1-1

Type of funding	School Year		
	08/09	09/10	first half of 10/11
Corporate funding in-kind	\$2,000	\$34,000	\$32,800
Corporate funding in cash	\$0	\$62,900	\$33,100
<i>Unrestricted funds</i>	<i>\$0</i>	<i>\$10,800</i>	<i>\$24,280</i>
Total corporate funding	\$2,000	\$96,900	\$65,900

Conclusion

PPES' activities clearly have become a catalyst for individuals to take greater responsibility and/or to organize professional associations to serve their needs. Thus in addition to covering the capacity building of partner government institutions as in all reports, this document engages in a deeper discussion of the municipalities, companies and youth that are its partners too. In doing so, PPES is able to define innovation, risk taking and self-initiating leadership as the qualities that differentiate the top ten partners in each activity from all the rest. Like the governmental institutions the program supports, these partners also serve the interests of all citizens of Serbia and help both components implement activities and produce results that support the country's entry into the European Union and the larger global economy.



Kraljevo Earthquake, November 2011

PREPAREDNESS AND PLANNING

PREPAREDNESS AND PLANNING

INTRODUCTION

INTRODUCTION



2005 Catastrophic floods in Jaša Tomić village, Municipality of Sečanj

In 2006, when the Preparedness and Planning Component embarked on its mission to improve emergency management in Serbia, the country was trying to recover from summer floods along the Danube, the worst in more than a century.

Losses were estimated in excess of 35 million Euros. At the time, Serbia had little local emergency management capacity and nationally, Ministries were competing for jurisdiction and control over emergency services. It

took significant international intervention to manage the unfolding disaster and to help the 11,000 families left displaced and homeless.

Floods are common in Serbia. It also is host to annual landslides, wildfires and the occasional earthquake. In 2006, the country had fragmented national and local capacity to respond to these emergencies. Even as the government confronted the ramifications of the Danube floods, national emergency management entities remained distracted by the issues of control.

Yet, municipal leaders understood their vulnerabilities and the burden disasters place on budgets and the potential consequences to citizens. Therefore, the Preparedness and Planning team targeted its training and technical assistance methodology to the “customers” most in need and most open to building a partnership – local government.

The intensive training in disaster management, risk assessment, planning and preparation was accepted by local governments, recognized as valuable and appreciated because it offered direct and immediate benefit for municipal leaders and their communities. The team’s training, based on international standards and best practices, had immediate impact. Municipalities reported improved response time, better ability to contain damage and faster event assessments that took days not weeks – all expediting recovery time.

Today, 80 municipalities have completed the Preparedness and Planning training program and another 40 municipalities have been selected for training in the basics of emergency management².

² The training introduces the municipalities to their legal requirements mandated by the 2009 Law on Emergency Situations, particularly the process of establishing Disaster Management Teams. Additionally, best practices in emergency management – such as risk assessment and flood planning – are covered.



Those trainings started in March. Before the end of September 2011, 20 of these new communities will complete the Program's entire training activity³. A total of 52 municipalities are currently certified as *Enhanced Disaster Resilient* communities; the final Program goal is 55 certified municipalities.

The Preparedness and Planning Emergency Management Methodology was the right change offered to the right partner at the time of most need. Municipalities' success was seen through fire and flood management by a national government that had once avoided change in order to protect political control of emergency management. A complete overhaul of the national system could no longer be ignored. An empowered base of well-trained and experienced municipal leaders demonstrated that training, communications and cooperation both within their own municipalities and among other graduates of the program's training activities was the pathway to saving money and lives – the national government was forced to re-evaluate its approach.

PPES introduces all municipalities to emergency management basics

7 more municipalities certified as *Enhanced Disaster Resilient* – a total of 52 are now certified

3 regional trainings held to introduce 109 municipalities to the 2009 Law on Emergency Situations

40 new municipalities selected for basic disaster management training

PPES Strengthens Sector for Emergency Management (SEM) and National Training Center (NTC)

1st serious test of the Sector for Emergency Management (SEM) – the Kraljevo earthquake – demonstrated leadership and quality communications

1st curriculum created by SEM and the NTC, with support of PPES, for Mayors on new roles and responsibilities as heads of Disaster Management Teams

1st permanent management structure in place at NTC – 5 working teams replace the temporary task force structure.

The 2009 Law on Emergency Situations was driven upward by municipalities and external stakeholders as much as it was by the national government downward – a historical change in policy development in Serbia.

The international community, long accustomed to supplying support to compensate for Serbia's lack of emergency management capacity in 2006, now invites Serbia's Sector for Emergency Management to present the Preparedness and Planning-developed methodology to regional and international organizations. It is routinely agreed that the PPES methodology is a model to be replicated for any country wishing to improve local government emergency management. The ultimate testament to the success of PPES' work to set Serbia on a path to modern emergency management services is the inclusion of 18 PPES-certified municipalities into the U.N.'s Strategic Initiative on Disaster Reduction accounting for half of all European communities selected to date.

³ The team will have reached a total of 120 of the 148 Serbian municipalities with the Basics of Emergency Management training; 100 will complete the entire Preparedness and Planning training activity and 55 municipalities will earn Enhanced Disaster Resilient certification.

PREPAREDNESS AND PLANNING IMPACT



2-1

Preparedness and Planning: Evolution of a Nation's Emergency Management System

Building Local Capacity from 2007

- 90 municipalities trained
- 52 municipalities certified
- 1,440 first responders trained
- Local-level prevention initiatives supported (such as simulations)
- City of Nis creates and adopts country's 1st community plan based on safety

Building National Infrastructure from 2009

- Passage of new law
- Train core SEM and NTC staff
- New curriculum for Mayors prepared by SEM/NTC: reflects modern technology
- National-local communications successfully strengthened
- NTC assumes responsibility for Mayors' training

International Cooperation and Recognition from 2010

- EU fund application support
- Build Serbia's visibility within the regional Disaster Preparedness & Prevention Initiative (DPPI)
- Strengthen relationship between Serbia's SEM and FEMA from the USA
- Partnership with UNISDR
- 18 Serbian municipalities accepted into the Safe Cities program

2011/2012 Integrated Emergency Management System

- Transfer of PPES methodology to NTC completed
- SEM maintains continuous development of local DMTs as priority.

IMPACT

From a country in need to a country in the lead of emergency management -- that is the story of PPES' partnership with Serbia's local and national government disaster management officials since the Program began in 2006.

The transition of Serbia from a country heavily dependent upon international emergency response agencies in its times of need to one now recognized by those same agencies as a model for local government emergency management took just four short years using the Preparedness and Planning-designed emergency management methodology.

Starting with just 14 municipalities in late 2006, PPES, at program's end, will have trained more than 70 percent of the municipalities in Serbia, large and small, representing all regions and all economic strata – from more advanced to economically devastated. All had one thing in common: a vulnerability to a host of natural and man-made disasters that threatened their local economies and, more importantly, the lives and property of their citizens.

PPES methodology is catalyst for INTEGRATED EMERGENCY MANAGEMENT SYSTEM

PPES training turned a spot light on the need for an integrated system that decentralized decision making and encouraged cooperation and communications across all levels of government. Although not predicted outcomes, all of the following are a direct consequence of PPES actions:

Passage of a law that reformed emergency management for the first time in more than 30 years;

Greater emergency management decision-making authority is now in the hands of municipal leaders

Consolidation of emergency services into the Sector of Emergency Management (SEM) within the Ministry of Interior;

Integration of people and services once the purview of the Ministry of Defense into SEM; and

Creation of a National Training Center that maintains PPES certification methodology.

Before and After Joining PPES: a Community-Wide Change

PPES tells participating communities when they start their training that first response is only part of the emergency management equation; risk prevention and preparedness as well as damage assessments and recovery efforts are equally critical. Consequently, an entirely new standard for emergency management is set for municipalities on day one as are their resource priorities.

Money is needed to mitigate and recover from disaster; it is also needed to invest in prevention and preparation projects. People are needed, though, to fight fires and floods and, thus, the creation of strong networks of stakeholders are equally important. Communications with citizens and media and coordination of equipment and supplies with other municipalities and the Red Cross of Serbia were ad hoc at best or non-existent at worst. Such coordination is now mandated and is written into the emergency management plans that PPES has helped municipalities create. The bottom line: PPES methodology requires communities to get organized and get involved. The before and after changes among certified municipalities are summarized in Table 2-1, below.



2-1

“Before and After” changes among certified municipalities

Before	After	Impact
Ad hoc management with little advance planning or written strategy	<ul style="list-style-type: none"> Written plan Designated disaster management team Clear decision making process outlined 	<ul style="list-style-type: none"> First response is faster Communications clear Lines of authority clear Disaster Management Team includes officials from across municipal government
Limited attention to risk assessment and management	<ul style="list-style-type: none"> A risk assessment is completed Financial and human resources committed to management of risk Prevention measures implemented based on risk 	<ul style="list-style-type: none"> Mitigation of damage Reduced costs resulting from most disasters
Little or no broad-based community involvement	<ul style="list-style-type: none"> Inclusion of community stakeholders is part of written plan Citizens are encouraged to take more responsibility More community education Business partnership 	<ul style="list-style-type: none"> More manpower in case of emergencies or disaster Better prepared citizens and businesses mitigate personal injury and loss of property Prevention of man-made disasters Financial resources from business partners
Few communications with media or citizens during emergencies	<ul style="list-style-type: none"> Media is engaged as an information-sharing resource Minimally, daily press conferences or updates are held Use of technology and printed communications to alert citizens 	<ul style="list-style-type: none"> Information increases citizen confidence and encourages calm during disasters Management of rumor and gossip Lives saved by alerting citizens to move from unsafe homes and areas
Assessment of damage was a protracted process	<ul style="list-style-type: none"> Multiple assessments are done, even during a disaster Final assessments are accomplished in days not weeks Assessments are thorough and complete 	<ul style="list-style-type: none"> Assessments during disasters to warn or remove citizens from damaged property Temporary supplies, relocation facilities and other immediate needs fulfilled Recovery begins sooner Displaced citizens can return home sooner Recovery resources distributed faster

Municipalities Are Investing More in Preparedness and Response

Municipal budgets reflect the changing attitudes of municipalities toward the planning and preparation for emergencies. PPES has twice looked at municipal budgets to analyze budgeting habits of program municipalities. The first time, budgets for 2008 and 2009 were analyzed⁴. The latest research includes budgets from 2010 and 2011. The latest analysis of available budget data by the team suggests three important conclusions⁵:

1. Certified municipalities are investing more than non-certified municipalities;
2. In the face of the financial crisis and the need to implement deep budget cuts in many municipal departments in both 2010 and 2011, program municipalities maintained the same level of emergency management funding as a percentage of their overall budgets;
3. Smaller municipalities are investing more per capita in emergency management than larger municipalities.

Certified municipalities are investing more than non-certified municipalities

Municipalities started earning *Enhanced Disaster Resilient* status in 2008. At the time, there was little difference between the amount budgeted for emergency management among the municipalities. Since then, a gap between certified and non-certified municipalities' has opened up with certified municipalities budgeting, on average, nearly 25 percent more per capita from 2009 to 2011, as illustrated in Figure 2-2.

The increase in funding can be directly attributed to PPES' efforts and the increased attention to disaster prevention and management on the part of the municipalities. And although the impact of the budget crisis can be clearly seen in the 2010 budget figures, certified municipalities invested 33 percent more per capita than did the non-certified program municipalities that year and maintained roughly the same level of funding as a percent of their total budgets that year – a true testament to the importance that the municipalities placed on this subject.

PPES METHODOLOGY covers the five phases of emergency management: prevention, preparedness, mitigation, assessment and recovery. Its training helps local-level disaster management team members understand their responsibilities under the 2009 Law on Emergency Situations. They also learn to conduct risk assessments and flood planning.

Certification requires the creation and adoption by local municipal assemblies of three key documents: 1) a written emergency management strategy that designates a permanent disaster management committee; 2) a community-wide risk assessment; and 3) a flood defense plan.

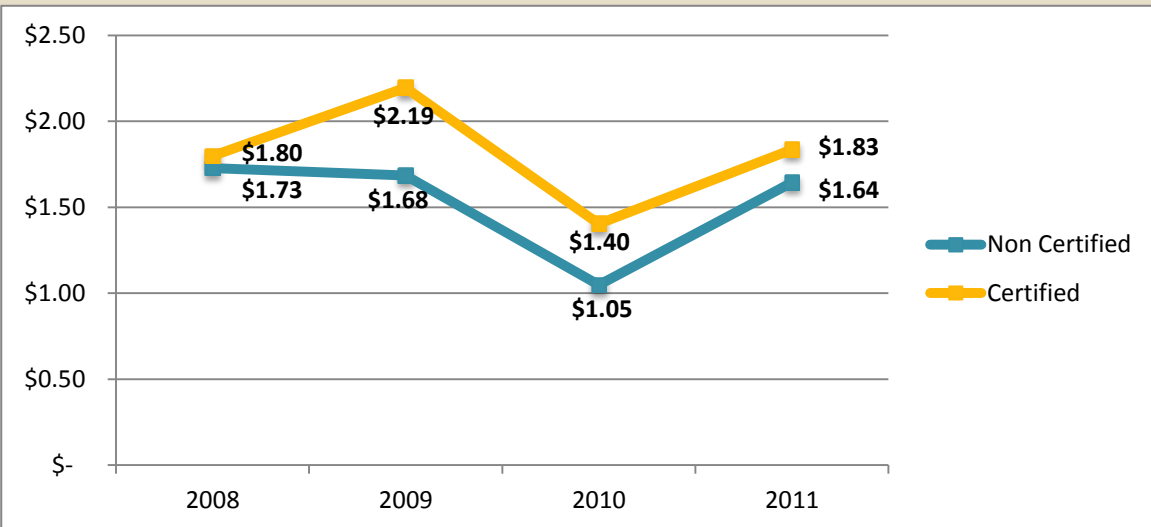
⁴ The 2008-2009 research included 38 municipalities. All 11 of the municipalities certified at that time were included in this sample.

⁵ The 2010-2011 research included 64 municipalities. This sample includes 44 certified municipalities.



2-2

Average municipal disaster management budget per capita in certified and non-certified municipalities



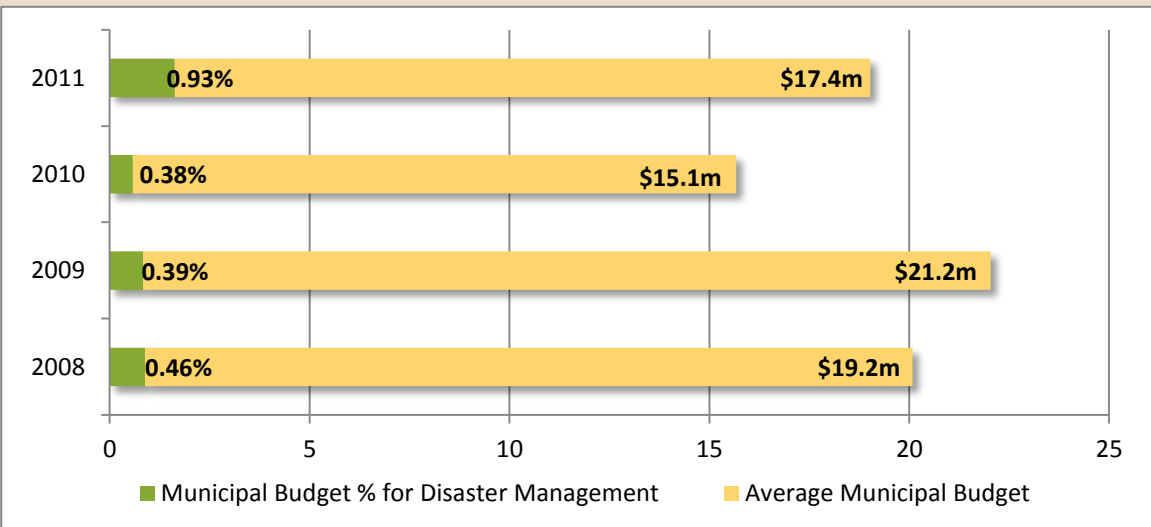
Program municipalities preserve emergency management budget in the face of economic hardship

In response to the country's recent financial crisis, municipalities were forced to cut their budgets nearly 30 percent between 2009 and 2010. In spite of this, program municipalities maintained emergency management budgets at roughly the same percentage of their overall budgets from 2008 to 2010, and doubled their allocation in 2011, as can be seen in Figure 2-3.



2-3

Stability of municipal DM budget allocation compared to fluctuations in average municipal budgets



Smaller municipalities are investing more per capita than larger municipalities

According to the budget data collected by the team, the program's smaller municipalities are allocating more per capita than their larger counterparts as can be seen in Figure 2-4. While



more research would be needed to determine exactly why this is the case, there are several reasonable assumptions. The primary cause for this gap is that some of the larger municipalities' investments in disaster management are being covered directly by the national government.

Serbia's smaller municipalities receive disproportionately fewer resources for disaster management from the national government than larger ones. Thus, small community budgets reflect the need to use more of their own funds to pay for equipment.

It is also quite likely that the program's smaller municipalities are using more of their own resources to bring their emergency management investments into line with the standards covered during PPES training. Significant anecdotal evidence exists to support this argument. Small communities across the country are implementing a broad range of innovative prevention programs.

- **DIMITROVGRAD INSURANCE**– the municipality is paying for basic insurance for all households to protect against losses incurred each year from wildfires.
- **VELIKO GRADISTE AND GOLUBAC FLOOD PREVENTION** – these two certified communities along the Danube started a cross-border initiative in December 2009 with the Romanian neighboring municipality of Moldova Nova. Together, the three communities are implementing a variety of flood prevention projects including improvements along the Danube to control rising waters.
- **SIX VOJVODINA COMMUNITIES COOPERATE** – working together on projects for fire prevention and flood mitigation, these communities also are initiating public education campaigns to engage citizens in prevention efforts.⁶
- **KANJIZA PUBLIC-PRIVATE PARTNERSHIP** – using municipal funds and those donated by a local insurance company, a new fire truck was purchased for its volunteer firefighting association.
- **PLANDISTE AND ZITISTE DISASTERS PREVENTION INVESTMENTS** – both municipalities, severely affected by floods in 2005, have begun to build new public works to drain water channels and minimize the impact of flood waters on the municipal sewer and water systems.

⁶ Municipalities are: Coka, Kanjiza, Kovacica, Novi Knezevac, Titel and Zitiste.

Branislav Sarić

Head of Ub Emergency Management team

PROFILE

Branislav Sarić brings a lifetime of experience in emergency management to his job of protecting the citizens of his native Ub from natural disasters. After graduating from the Faculty of Security Studies at the University of Belgrade, Sarić returned to his hometown of Ub to help it deal with one of the region's biggest problems: flooding.

Sarić's education, combined with his experience in the Ministry of Defense's Civil Protection department, as the Chief of the Police and a Deputy Mayor made him perfectly suited to serve as head of Ub's Emergency Management team starting in 2000.

Ub is no stranger to flood dangers as three main waterways flow through the community. But it takes training, strategic thinkers and good communication to prevent continual flooding and respond rapidly when it does happen – like the historic flooding that deluged the city in 2010.

Sarić and his three-member team were undaunted by their small municipality's typical difficulties: the lack of human and financial capacity for large scale disaster prevention projects. Sarić's long-term goal is to identify partners for a \$7 million investment to regulate the Ub River. He knew they needed innovative solutions not just to follow new regulations and fight floods but to realize his larger vision of making the community less disaster prone by building roads and improving the water supply and drainage to solve some of the core contributors of flooding.

Sarić's vision was one that was shared by USAID's PPES Program. "It was the right program at the right time for the municipality of Ub. The municipality was going through an administrative change and needed direction for its emergency management operations. PPES' assistance with organizational structure offered the right solution."

The city, certified by PPES as Enhanced Disaster Resilient in 2009, demonstrated its competency in June 2010 when heavy rains caused the worst flooding ever in the city's history. Because of its preparation, Ub was able to rapidly respond, protect public health and quickly restore life to normal.

Sarić believes that communication was a crucial factor for success: "We have a professional team prepared to fight disasters. We communicate well at all levels – emergency management, city officials, other agencies involved in disaster management and the public. Sacrifice, energy, effort and knowledge of the territory and the surroundings are the key."

Sarić is especially pleased that his department was supported by the private sector and the Red Cross. He noted that 18 private companies offered their support during last year's floods.

Leadership in Practice



Branislav Sarić

Sarić is confident about the region's ability to deal with the vagaries of nature, as disaster management has grown into a community-wide effort: "Everyone participates now. Private companies literally fight over who is going to help. We have all the necessary assistance from the private sector and a well-trained team ready to spring into action."



In June 2010, Ub experienced the worst flooding in its recorded history. The Ub River crested at 15 feet – 3 1/2 feet above the previous record. Because flood waters overloaded the city sewer system, the spread of water-borne disease was a serious concern. With support from the PPES program, USAID provided Ub with supplies to disinfect 315 households, nearly 500 commercial buildings and 115 properties.

Municipalities' Initiative Emergency Management Improvements

Once municipalities experienced their ability to be efficient and cost effective in the prevention, management and assessment of damages, they rapidly identified other areas of need. They began to look beyond their municipal limits to build relationships within the region and within the growing group of newly trained municipalities to collaborate, initiate partnerships and participate as part of a network of PPES municipalities. In short, the municipalities wanted to do more.

Preparedness and Planning Top 10 Municipalities

The collective actions of PPES' first 80 municipalities set a new standard for emergency management in Serbia. All have made major improvements but some of this group has been extraordinary. The team, now implementing training for the final 40 municipalities, prepared criteria for what makes one municipality's disaster management team rise above another. Looking for the best of the best, the team determined that certification was a major criterion because it indicates that all of the advances made in emergency management have become legally binding.

The best, however, go beyond the legal minimums and continuously build their capacities through training, partnerships and investments. Leadership is another factor in the team's *Top Ten* municipalities – supporting other municipalities when needed, communicating with national officials and participating in the Certified Municipalities Group. Finally, innovation is a criterion – testing new disaster management tools. The Top Ten, listed in Table 2-2 includes large and small municipalities from all over the country but one thing they all have in common is the ability to continuously improve their emergency management systems using creative problem solving.



Top Ten Preparedness and Planning Municipalities

2-2

Municipality	Joined PPES Activities	Certified	Incr. budgets	Strong operations	Partic. in addit. activities	Local initiatives
Despotovac	2008	2009	✓	✓	✓	Simulation exercise 2009, support to mine rescuers
Dimitrovgrad	2009	2009	✓	✓	✓	Insurance support to households
Golubac	2008	2009	✓	✓	✓	Cross-border cooperation on flood management
Kanjiža	2007	2008	✓	✓	✓	Simulation exercise, equipment and materials support to volunteer firefighters
Kragujevac	2006	2008	✓	✓	✓	Best practices fair, simulations, village-level DM training, SMS early warning system
Kraljevo	2006	2008	✓	✓	✓	Exceptional performance in response to earthquake, award-winning public outreach, exceptional coordination with Red Cross
Kruševac	2006	2008	✓	✓	✓	Best practices fair, simulations, village-level DM training, firefighters training
Petrovac	2008	2009	✓	✓	✓	Village-level disaster management training
Ub	2009	2009	✓	✓	✓	Extraordinary response to floods, public outreach, cooperation with Sector for Emergency Management
V. Gradište	2009	2010	✓	✓	✓	Cross-border cooperation on flood management

Municipalities are proactive – focusing more on Preparedness and Prevention

The Preparedness and Planning activities influenced a very significant change in thinking among government officials: the concept of prevention. Prior emphasis was on coping with a disaster. The types of natural threats indigenous to Serbia are easily exacerbated if not managed through preventative measures such as soil management, heightened river banks, improved sewer systems or other best practices common to emergency management. The Top Ten list revealed how some municipalities are finding ways to mitigate costs related to losses. How budgets are allocated also reveals the degree to which local leaders changed their approach to emergency management.

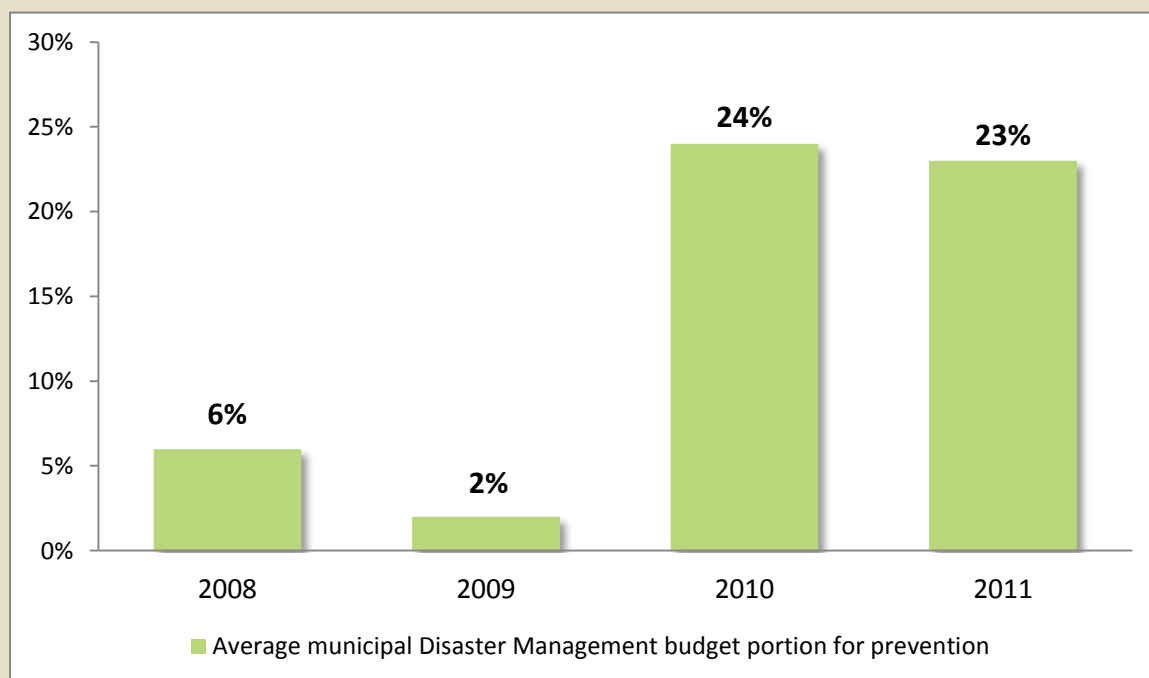
The most recent budget research supports the fact that the message of prevention has gotten through: municipalities are investing an average of 23 percent of their disaster management budget in prevention activities in 2011, replacing the historic practice of building budgets around reacting to disasters and making direct payments to citizens for losses. Figure 2-5 illustrates this positive trend. Municipalities have increased fivefold their allocations for prevention projects (in dollars, 2008 compared to 2011).

This shift in thinking reflects the PPES training message. While the current average allocation for managing the after-effects of a disaster is still the largest piece of municipality's disaster management budget, the focus on prevention is a new and encouraging phenomenon⁷.



2-5

Average municipal Disaster Management budget portion for prevention



⁷ Budget reserves are set aside to help communities manage disasters as they happen. Unused funds are put back in the municipalities' general fund and generally used before the end of the appropriation year.

Certified Municipalities are Working Together

The Certified Municipalities Group is a vital piece of the sustainability puzzle. Launched in February 2010, the CMG grew naturally among municipalities that were trained together and when faced with a disaster turned to one another to share resources and capacity. Experiencing the importance of well-planned local action that is supported by cooperation and communications with other communities, certified municipalities took the lead in asking the national government to follow a similar model. Many of their field-tested approaches, including placing significant decision-making in the hands of local authorities, found their way into the 2009 Law on Emergency Situations.

The most recent and most dramatic example of CMG's leadership and participation in an integrated response was after the Kraljevo earthquake but the model was established much earlier during the program as the following examples highlight:

- **NOVEMBER 2009: SHARING RESOURCES**
Sjenica faced its worst-ever recorded floods; certified municipality Golubac ships 3,000 sandbags to help Sjenica shore up their river banks.
- **OCTOBER - DECEMBER 2009: ADVOCATING FOR NEW LAW ON EMERGENCY MANAGEMENT**
Certified municipalities teamed with the Ministry of Interior in one of the most aggressive advocacy campaigns ever by local governments to help build public support for the Law on Emergency Situations. This activity was repeated in June 2010 to ensure local government input into the creation of the draft bylaws.
- **NOVEMBER 2010: IMPROVING KNOWLEDGE**
The City of Krusevac shared information with CMG members on financing projects to protect against hail damage.
- **MARCH 2011: LEARNING THROUGH EXPERIENCE**
On the heels of the devastating Kraljevo earthquake, the CMG began organizing a two-day conference on lessons-learned from the disaster and on best practices in earthquake preparedness and response.

A well-trained and now well-experienced CMG is maturing into a leader for an integrated emergency management system. It is prepared and, as demonstrated, willing to partner with new municipalities preparing to earn certification. It is professionalizing local government emergency management and brings together related emergency management institutes and services to learn best practices on numerous subjects related to emergency management. And, they remain the strongest link between national and local officials. Members of the CMG are the people on the ground making sure that what they started together with PPES in 2006 remains a permanent part of Serbia's emergency management system.



Nis Safety Strategy: A Tool for Revitalizing a City

In 2004, the Nis City Assembly decreed that the key to restoring the city as the region's economic and social leader was to create a long-term strategy based on the protection of its citizens and its property. As part of the Assembly's formal pronouncement, a team was formed to develop a city-wide Safety Strategy. Their first action was to begin a city-wide dialogue on the topic. All relevant stakeholders were included: local government representatives, directors of all public companies, local representatives of the Red Cross of Serbia and ministries of Interior and Defense.



Nis Safety Strategy Simulation Exercise, October 2010

When Nis centered its pioneering approach to economic revitalization around community safety, it was far ahead of any national reform to emergency management and, thus, its efforts were not openly supported by the central government at the start. PPES selected the Nis City Strategy as one of its supported local initiatives in 2009. Over the next year, the Preparedness and Planning team worked with the city's Safety Strategy team and the University of Nis Faculty for Occupational Safety to facilitate the development of the strategy. On July 1, 2010, the City Assembly adopted the final strategy which addresses increased safety in four strategic areas of everyday life: Economic Safety, Social Safety, Ecological Safety and Emergency Situations.

With the adoption of the strategy, the city developed an operational plan for flood protection



Mayor of Nis, Milos Simonovic, Receives "Certification for Commitment to Disaster Resilience" from UNISDR's representative, Michiko Hama.

Today, Nis is recognized as a leader in disaster risk reduction not only by the Government of Serbia but also internationally from the U.N. International Strategy for Disaster Reduction Agency (UNISDR) which designated Nis as a U.N. Role Model City.

and undertook a number of vital flood prevention projects. In addition, the city began building cross-border partnerships for improved regional disaster management. Bilateral agreements have been signed between the city of Nis and Vienna (Austria) and Sofia (Bulgaria) to jointly share resources and participate in training and other capacity-building activities.

More recently, the City of Nis appropriated \$70,000 in its 2011 budget for the implementation of the strategy. Additionally, it has formed a new city department for emergency management.

Going forward, the city is working cooperatively with the Ministry of Interior's Sector for Emergency Management to modernize its traffic control systems to improve traffic flow and pedestrian safety at the city's busiest intersections. Nis may reap its biggest economic boon as a result of its Safety Strategy in 2013 when it is scheduled to host the Ecumenical Assembly of Christian Churches in honor of 1,700 years of Constantine's Edict of Milan, an event that will attract thousands of visitors including, possibly, a visit from Pope Benedict XVI.

KRALJEVO: MANAGING AN EARTHQUAKE

Case Study



The 52 municipalities certified as Enhanced Disaster Resilient demonstrate better first response, coordination and communications between local and national emergency personnel, the Red Cross of Serbia and other stakeholders as well as citizens and the media during emergency situations than municipalities that have not worked with USAID's PPES program.



Kraljevo, certified by PPES in September 2008, proved no exception to the improved performance of certified municipalities when, on November 3, 2010, it awoke to the angry rumblings of an earthquake that measured 5.4 on the Richter scale.

Kraljevo – Geography Mandates the Need for Preparedness

Kraljevo is located in central Serbia on the banks of the River Ibar, near its confluence with the Western Morava. Sandwiched between the Kotlenik Mountains to the north and the Stolovi range to the south, the valley in which the community sits is among the most beautiful in all of Serbia.

The price the city pays for its bucolic setting is frequent flash floods, potential for landslides from melting winter snows and vulnerability to earthquakes. Man-made disasters are also a threat. Its role as the administrative center of the Raska District means it also is an industrial and transportation center for the region. In short, it is one of the most vulnerable areas in the country.

The Preparedness and Planning team targeted Kraljevo as an early partner in 2006 because the city's vulnerabilities threatened the lives and property of its 100,000 citizens including nearly 20,000 displaced Kosovar Serbians.

November 3, 2010: The Earthquake

At 1:58 in the morning of November 3, 2010, an earthquake measuring 5.4 on the Richter scale hit central Serbia. The epicenter was in the village of Vitanovac, just nine miles northwest of Kraljevo.

In the immediate aftermath, two people were killed by a collapsing building, one died of a heart attack and another 120 required medical attention for injuries sustained during the earthquake.

The First Actions are Critical: Testing National-Local Coordination

The Serbian Ministry of Interior, charged with the coordination of national disaster response through its Sector for Emergency Management, established communications immediately following the earthquake and SEM's Head of the Risk Management Department, Branko Jovanovic, was deployed to Kraljevo, arriving on scene just four hours after the quake. He remained on the ground for the next week; he took charge of the immediate assistance provided by the national government and its coordination with the Municipal Disaster Management Team (DMT). Upon

Kraljevo: Managing an Earthquake Case Study

his arrival, the local DMT and the Red Cross of Kraljevo, organized themselves into a single team, meeting daily to manage their collective response.

Protecting Citizens and Their Property: Keeping the Public Informed



Kraljevo's Municipal Disaster Management Team had taken its PPES training seriously regarding the importance of accurate and timely communication and built strong relationships with local media and had a plan in place for communicating with citizens.



The Kraljevo DMT won the "Lilly" award on January 27, 2011, for the quality of its communication during the earthquake. Recipients are selected annually by Kraljevo's local journalists and national media correspondents

on the ground, Branko Jovanovic, helped the local team establish an effective communication strategy defining clear and transparent criteria for media assistance and information delivery. Kraljevo Mayor Ljubisa Simovic and the operational leader of his DMT, Radojica Kocovic, provided daily information briefings and press releases to the media.

In the first days following the earthquake, the city's electricity was interrupted. As a consequence, printed materials were developed and distributed to ensure all citizens were reached with accurate and timely information. Within hours of the first and most severe tremor, inhabitants of houses declared to be unsafe received written instructions to leave them and information on where to find temporary accommodations. Later, a website and 24/7 hotline provided updates and information on a continuous basis. The communications strategy and its coordinated implementation proved to successfully contain gossip as it allayed fears and uncertainty.

Damage Assessment – PPES' Efforts to Build Local-to-Local Partnerships Succeeds

The local disaster management team performed several damage assessments in the immediate aftermath of the earthquake to identify homes and buildings that were unsafe. The goal was to move people out of homes that were vulnerable to the smaller tremors that typically follow an initial quake. These early evaluations of building safety seek to ensure that no additional deaths or serious injury occurred after the initial quake.

The post-disaster assessment process to identify unsafe and damaged homes required the efforts of more than 100 Assessment Teams: 68 of them from Kraljevo and 42 from 38 different municipalities. Once it was clear which citizens needed to be relocated immediately and which buildings needed temporary reinforcement to avoid the potential of further destruction, the Municipal Disaster Management Team formed a Task Force to calculate the total damage value.

Kraljevo: Managing an Earthquake Case Study

A total of 13,700 residential houses and 4,000 buildings were inspected for damage while 3,000 lesser damaged structures remain to be assessed over the next two or three months.

Immediately, members of the Certified Municipalities Group (CMG), a PPES-facilitated network of certified municipalities, began sending construction engineers and other experts to support the overwhelming job facing Kraljevo to assess building and property damage.

Neighboring Kragujevac assigned seven civil engineers, six building stability specialists and a hydro engineer. The team joined the damage assessment task force set up in Kraljevo and supported its work through completion. Additionally, Kragujevac provided trucks and workers to help clear rubble and deliver construction material to remote villages around Kraljevo. Knowing that materials for individual home repair and reconstruction would be at a premium, Loznica's emergency management team was one of the first to collect and coordinate the delivery of building materials for the earthquake's victims.



Final Kraljevo Damage Estimates

Current estimates place the total damage at just over \$43 million -- a figure equal to seven years of annual budgets for the municipality.

- 11,365 houses suffered damage.
- 1,553 houses were declared uninhabitable
- More than 6,000 houses and flats are in need of major repairs.

In addition to support from municipalities, the Ministry of Local Self Government organized national and international donations providing Kraljevo's recovery team with \$12.4 million in assistance. These resources allowed Kraljevo to invest \$4 million in reconstruction and another \$2.8 million for prefabricated houses to accommodate families who lost their homes. Another \$2.4 million was used to reimburse private home owners for losses and \$3.2 million allowed for investment in infrastructure improvements.

Lessons-Learned

In the final analysis, the benefits of having considered response, mitigation, communications and needs assessment before the disaster were evident. Stakeholders were engaged, national and local coordination processes worked, and the responsibilities, decision-making authorities and tasks outlined in the municipality's disaster management plan helped ensure an effective response. While Kraljevo did an excellent job of keeping citizens informed in the

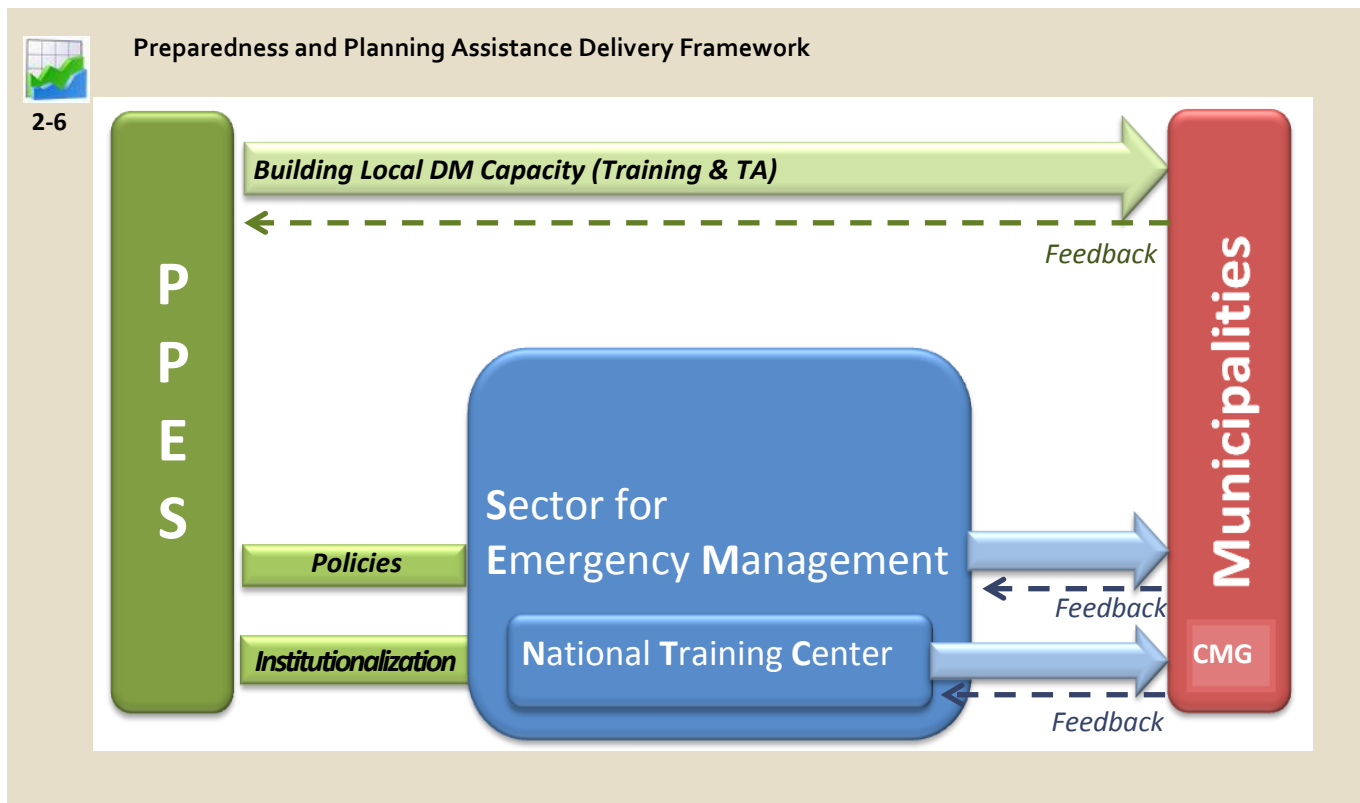
quake's aftermath and ensuring no lives were lost after the initial shock, two key shortcomings were evident. Communications among DMT members within the first four hours of response could have been better-- changes in political leadership since Kraljevo earned its certification point to the need for a National Training Center that works continuously with municipalities to help them maintain standards. Also, donor coordination could have been better -- a centralized point of contact was needed to coordinate and match offers of assistance with need on a real-time basis, as evidenced by a lack of clarity of who potential donors should talk to and donations of unneeded items while some needs went unfilled.

PREPAREDNESS AND PLANNING IMPLEMENTATION

BUILDING CAPACITY: THE NTC AND MUNICIPAL TRAINING AND TECHNICAL ASSISTANCE

Capacity building during this reporting period focused on three activities:

1. Bringing 40 new municipalities into the PPES-designed municipal emergency management training and certification process.
2. Engaging the SEM and NTC in curriculum development and training delivery to prepare both to assume permanent, ongoing responsibility for the professional development of local disaster management teams.
3. Training and briefing Mayors on their responsibilities as the Heads of Disaster Management Teams according to all new relevant laws and bylaws.



Addition of 40 New Municipalities to PPES Municipal Certification Process

Together with the SEM and the NTC, the Preparedness and Planning team selected 40 new municipalities to be trained using PPES' methodology. A series of three regional meetings were held across Serbia (in Novi Sad, Kragujevac and Nis) during December 2010 to brief mayors and other public officials on the program and its goals. A total of 198 municipal officials attended one of the three sessions representing 109 municipalities.



Regional discussion in Kragujevac, December 2010

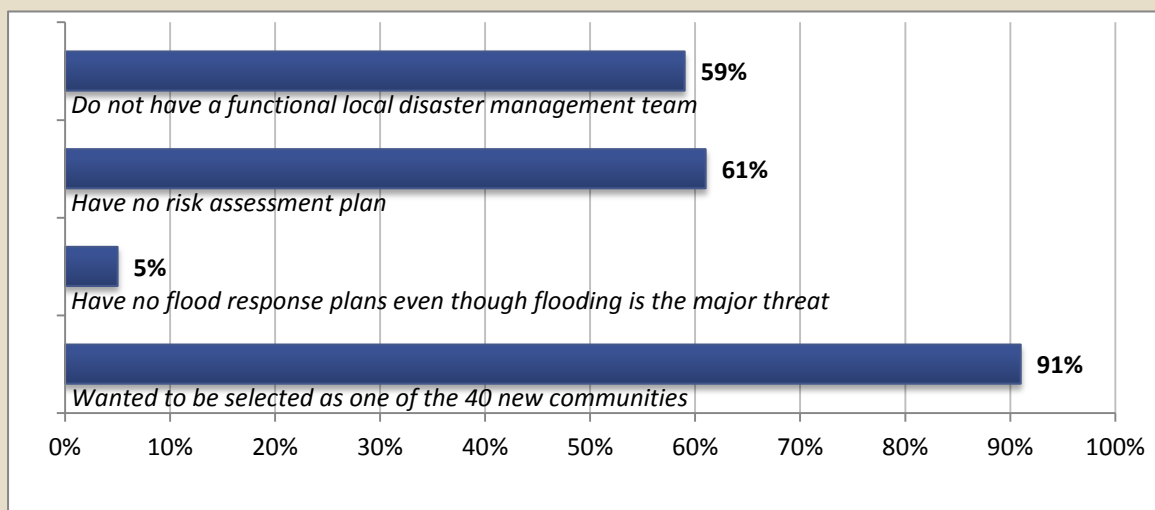
The sessions were more than just informational meetings. They united staff from the Sector for Emergency Management and PPES certified municipalities together with non-participating communities to allow first responders to share experiences and lessons learned as well as to provide an opportunity for networking among certified and non-certified municipalities.

To learn ways in which these important relationships can be better developed and put to work for a truly integrated emergency management system in Serbia, PPES conducted a survey among attendees. The team wanted to understand what peer-to-peer support new communities believed they needed most; simultaneously, certified municipalities were surveyed on what peer-to-peer support they would be willing to offer. Key results from the survey are found in Figures 2-7 and 2-8.



2-7

Non-participating communities identified need to improve emergency management capabilities⁸:



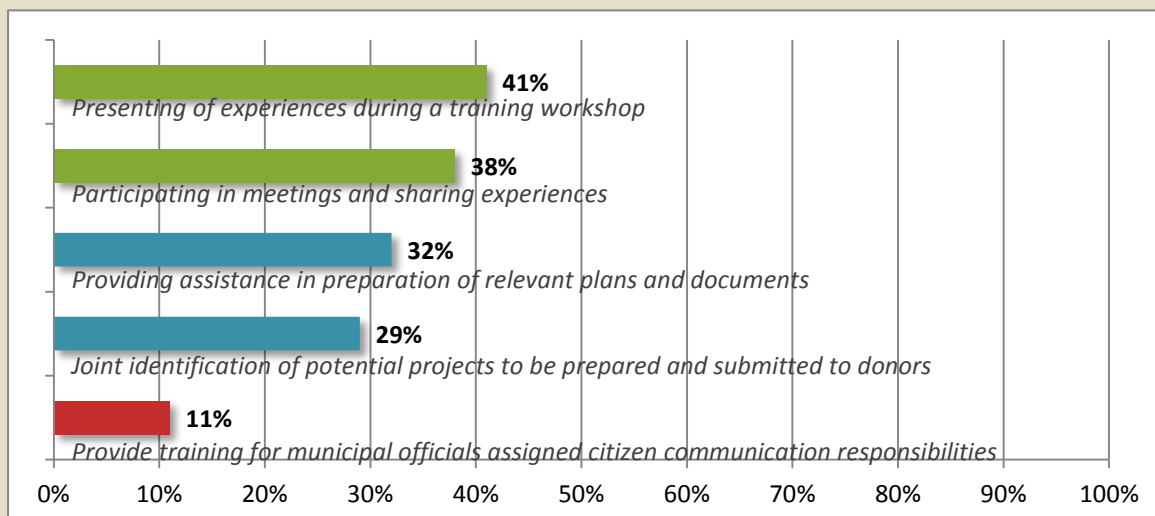
⁸ Of the 109 municipalities represented at the meetings, 81 responded to the survey; 45 were PPES municipalities and 36 were non-program municipalities.

Program municipalities focused on leading lessons-learned as a service they most wanted to provide.



2-8

PPES Municipalities are Willing to become Mentors



Delivering PPES modules to new municipalities

PPES kicked off a new round of training during this period, delivering two module-one sessions – *Development of Disaster Management Teams* – to 10 municipalities. As many as 40 new municipalities will receive this training; 20 municipalities will also complete the training on Risk Assessment and Flood Planning. These trainings have all been modified to comply with the Law on Emergency Situations. PPES included the NTC in the revision of the team’s original methodology. SEM and NTC staff will also participate in the delivery and logistical management of the trainings as part of the handover of PPES’ methodology to the NTC.

Inclusion of SEM and NTC in Curriculum and Training Delivery for Mayors



Aleksandar Lazarevic, Head of NTC, at the NTC-led Training for Mayors, March 2011

The training program for Mayors, who by law are designated as the heads of municipal Disaster Management Teams, was designed by the Sector for Emergency Management, under the guidance of the Preparedness and Planning team. The Sector has made this Mayor’s training one of its highest priorities. Never before has local training played such an important role in the national government’s emergency management system. With this new emphasis, the SEM involved senior leaders in the Curriculum Development Working Team, which

produced both the training content and municipal emergency management manual for participating Mayors.

With emergency management authority consolidated within the Ministry of Interior's SEM, the curriculum development process now includes bringing all content and materials into compliance with the Ministry's established procedures – meaning all such material is subject to additional layers of review within the Ministry and must receive final approval from the Minister himself. This process proved slower than anticipated but it was an important step in building capacity of the SEM and the NTC and it ensured Ministry support for the curriculum.

As it happened, the Curriculum Working Group successfully completed the approval process in a record time of four months. The Group did so while it fulfilled the Ministry requirements, managed to merge the Ministry requirements with PPES Certification methodology and standards and received Ministry approval for the Mayors' training in November 2010.

As planned in the FY 2011 Work Plan and initiated in the prior reporting period, a significant portion of the Team's engagement with the NTC has been to prepare it to take over and continue the PPES municipal certification process. Thus, revisions to the PPES methodology in compliance with relevant laws and bylaws have been ongoing and are a joint activity. Also, in preparation for the Mayor's training the Team delivered a one-day training on seminar logistics and management for the Civil Protection Unit, the team supporting the Mayor's training.

The Municipal Mayors Training



Representatives of 40 municipalities attended the first two PPES-NTC Trainings for Mayors in March 2011

PPES supported the NTC in preparing for its first local disaster management outreach activity by providing technical assistance in:

1. Performing a training needs assessment of heads of local Disaster Management Teams;
2. Developing the training outline, content and manual; and
3. Assisting in the coordination of and participating in the training delivery.

The plan is to train all the Heads or Deputy Heads of Disaster Management Teams in 169 municipalities in Serbia on their new roles and responsibilities as heads of local disaster management teams according to the Law on Emergency Situations. The sessions will be delivered jointly by SEM Senior Management and the Preparedness and Planning team with logistics provided by the NTC.

Predrag Maric, Assistant Minister of Interior and head of SEM, opens Mayors' Training

"Serbia is recognized by the U.N. to be at the forefront of EU countries in education of local government leaders in emergency response. ... The Mayor's training today builds modern capacity of Disaster Management Teams and gives new authority on the local level as a result of the new Law on Emergency Situations. ... USAID began this type of training several years ago, and the Ministry of Internal Affairs Department of Emergency Management will continue this good practice."

The trainings are the first conducted by the Sector for Emergency Management's NTC for local government officials. It also was the first such session fully managed and presented by NTC staff. This is an important milestone for the team's efforts to ensure local disaster management methods and standards continue to be maintained by the Sector after USAID's PPES program ends.

The first two sessions were held March 15 and 22. A total of 40 municipalities were represented in the first two sessions. (The final session is planned for April.) Participants scored the session 4.7 on a 5-point scale on post-training evaluations, giving special recognition to the trainers and the relevance of the information. The group reported that the sessions on how to structure and manage disaster management teams, leadership, decision making and communications were the most important. The Mayors also recommended an annual training of this type – the very kind of education and relationship the team has been preparing NTC staff to deliver.

As a final, perhaps minor but symbolic, demonstration of the “ownership” that the SEM/NTC has taken of the municipal training process, instead of PPES' Chief of Party or other senior staff opening the training sessions and delivering certificates at the end of the sessions, Predrag Maric, Assistant Minister of the Ministry of Interior and head of the SEM, opened the trainings and his Deputy, Djordje Babic, awarded certificates to the Mayors at the end of the session.

Certification



City of Sombor is one of seven new Cities and Municipalities certified in December 2010

Helping municipalities attain *Enhanced Disaster Resilience* certification is the team's core activity. Training is the first step toward certification but the internal work and decision making required of communities to earn certification is what makes them proficient and capable of protecting citizens using prevention and mitigation techniques to manage natural and man-made disasters. To date, disaster management teams from 80 municipalities from throughout Serbia have completed the three-part PPES training course. Seven new municipalities received certification in December, bringing the total certified since 2008 to 52 municipalities.

CITY OF KRAGUJEVAC

From Initiation to Preparation

Joined PPES Program in 2006, Certified in 2008



Kragujevac takes disaster management to a new level

PPES activities:

- Preparedness and Planning emergency management training and Technical Assistance; CMG founding member; Host of Regional Discussions 2009 and 2010.

In another first, the City's Disaster Management Team is the only local team co-located with the local Serbia Red Cross branch. Located with the local Serbia Red Cross branch. Kragujevac also serves as a leader of the Certified Municipalities Group, an informal network of disaster management professionals from certified municipalities that share information on sustainable disaster management systems in Serbia. Its commitment is further demonstrated by Kragujevac's nearly \$180,000 appropriation for prevention projects this year – the highest city allocation in Serbia (on a per capita basis).

Kragujevac, population 147,473, in central Serbia is the country's fourth-largest city and one of its most industrialized. Once best known as home to Yugo-maker Zastava, Kragujevac now boasts Fiat, which is retooling the old car plant to build a new Fiat model. In addition to potential threats of industrial accidents, Kragujevac's rolling foothills are subject to landslides.

One of the first cities to join the PPES program in 2006, it has excelled and innovated more than nearly any other participant. It was the first city certified as *Enhanced Disaster Resilient* in 2008 and the first of only three cities to extend disaster planning to more than 100 remote village-communities by including them in training, planning and its communications network.

Additionally, Kragujevac's disaster management team introduced a state-of-art early-warning and information system where text messages (SMS) alert civil protection personnel in remote villages of impending disaster through a Web-based application. PPES helped provide this efficient, self-sustaining, inexpensive system.

DIMITROVGRAD MUNICIPALITY

Prevention Activities Reduce Costs

Joined PPES Program in 2009, Certified in 2009



Old Mountain forest fire – Dimitrovgrad created better forest maps to significantly reduce response time within the municipality

PPES activities:

- Preparedness and Planning emergency management training and technical assistance; Training in project development and proposal writing to access EU funds.

Another innovation is the implementation of an insurance program that protects citizens from significant financial losses in fires and floods. The municipality negotiated with and pays an insurance company to provide the protection plan for citizens. An analysis suggested the cost of the insurance combined with greater control over its disaster budget would be more cost effective than paying highly variable amounts each year for recovery from fires and floods. Dimitrovgrad is the only municipality in Serbia to apply preventative thinking in emergency management financing.

Dimitrovgrad, population 11,748, in eastern Serbia is less than 2 miles (3 kilometers) from Serbia's biggest and busiest border crossing near Bulgaria. Being so close to its neighbors, municipal officials are attuned to issues that affect Serbian and Bulgarian residents, as the area is prone to forest fires, health epidemics and chemical incidents.

It did not join PPES until 2009 but breezed through the certification process in just nine months. It took that same initiative to be a leader in preventative activities.

Soon after certification, the disaster management team approached its Bulgarian counterparts to develop cross-border cooperation to improve fire protection. The communities, highly vulnerable to forest fires, shared information and improved forest maps to significantly reduce response time within the municipality.

BUILDING NATIONAL INFRASTRUCTURE

The Sector for Emergency Management

Created in March 2009, the Sector for Emergency Management (SEM) is one of four Ministry of Interior (MOI) sectors and was the initial step to integrate the Protection and Rescue Sector of MOI and the Ministry of Defense's Department of Emergency Situations. The Sector's role was formalized with the passage of the Law on Emergency Situations in December 2009. In 2010, 580 emergency personnel from the Ministry of Defense were absorbed into the SEM. The Law was the first update to Serbia's emergency management administration since 1977.

Through its five departments, the Sector works to protect citizens and their property in the event of natural or man-made disasters. Its responsibility is to set standards, create emergency plans, modernize equipment and methods, organize resources and stakeholders, train and prepare personnel, and implement emergency management services.

Organizational scheme for the Sector for Emergency Management



In January, the team finalized a *Six Month Action Plan*, which defines the “handing over” process for PPES’ Certification Methodology to the Sector and NTC. Component activities continue to build leadership skills and team skills through coaching, training and mentoring of NTC management and staff. PPES’ support also focuses on technical proficiencies in the development of the NTC’s ability to prepare adult educational programs, become quality trainers and improve its operational effectiveness and efficiency (the former is not possible without the latter).

PPES helps SEM develop a Strategic Plan

The Sector is in the beginning stages of writing a strategic plan. PPES senior consultant, Michael Morfit, worked with SEM on vision and mission statements to set direction and build cohesion while the planning process is completed. After meeting with department leaders, PPES offered the following vision and mission statements to help align current goals and objectives.

Potential Vision: Every municipality in Serbia is disaster resilient

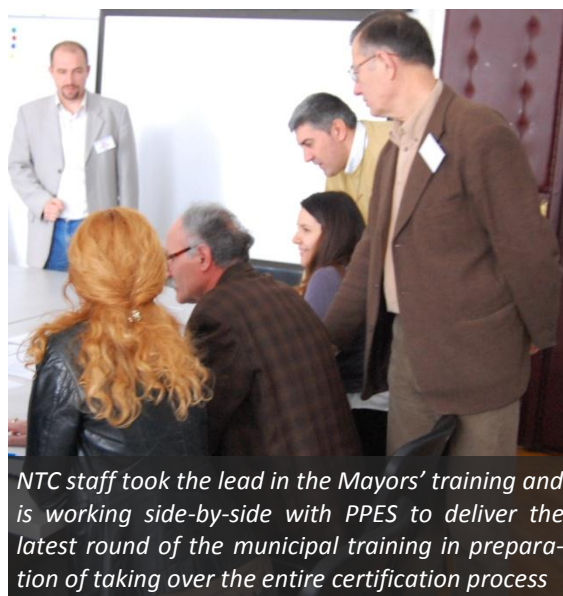
Potential Mission: To achieve this vision, the Sector’s mission is to:

- Establish standards for government performance
- Build capacities and partnerships at all levels to meet those standards;
- Mobilize resources required;
- Monitor performance; and
- Recognize achievements and address weaknesses.

The Transition Plan: Continuity of PPES Methodology

The plan incorporates the following elements:

- Mr. Jovo Bukejlovic of the Civil Protection Unit will co-train sessions on development of Disaster Management Teams and Risk Assessment with PPES staff.
- Mr. Gojko Carevic and Mr. Milovan Jovanovic, also of the NTC Civil Protection Unit, will provide coordination and logistics with PPES staff for training modules.
- NTC Director Mr. Aleksandar Lazarevic and Deputy Director Dragan Savkovic will be involved throughout the transition providing leadership and coordination with PPES. Mr. Lazarevic also will be assessing and mentoring his staff.
- The PPES trainers will provide orientation to the certification methodology, training content and materials for all NTC trainers and follow with coaching and on-site support.



NTC staff took the lead in the Mayors' training and is working side-by-side with PPES to deliver the latest round of the municipal training in preparation of taking over the entire certification process

In addition to the delivery of PPES training curriculum, the team will also engage directly with the NTC and the Sector to map out the certification process for municipalities that completed training in 2010. Many of these local DMTs are still working toward certification. PPES is organizing an appropriate transition to ensure the Sector and the NTC can provide the technical assistance necessary to help the remaining municipalities achieve *Enhanced Disaster Resilient* status even as PPES completes its work over the next six months.

NTC: Transition to Permanent Management Structure

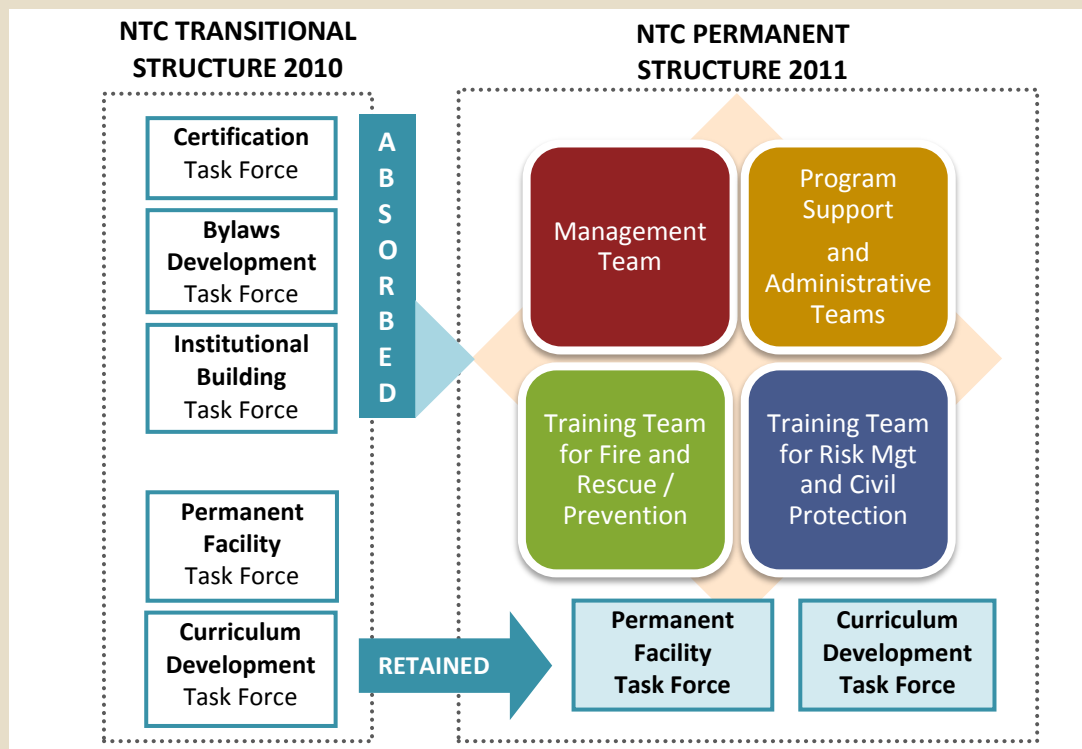
Three of the temporary Task Forces – the structure that served as the transitional management tool during the first 18 months of NTC development – have been dissolved and had their work absorbed into new offices within the NTC or SEM. Working teams are now the permanent management structure for the NTC – yet more evidence of how much professional growth has taken place in both staff and operational capacity of the NTC over the past year.

The working teams give the NTC greater flexibility and strengthen communications and cross-team cooperation within the Sector's other departments as well as stakeholders and partners such as PPES, the Red Cross of Serbia and the Certified Municipalities Group. Because of the ongoing, special responsibilities held by the Curriculum Development and Permanent Facility task forces, they will remain as temporary structures within the NTC for now.



2-10

PPES capacity building helps NTC move from transitional to permanent management structure



A Permanent NTC Office and Training Facility

The Sector established a task force to help identify a proper facility for the NTC and make an official recommendation to the SEM and the Minister. In this period, the task force re-evaluated the priorities outlined in a report delivered to SEM last summer and has submitted a list of three possible locations, including the former training center at Batajnica, an army-owned facility at Bubanj Potok and a temporary location at Belgrade's Fire Brigade. Previously assessed army-owned premises in Obrenovac and Pancevo were abandoned because the facilities are currently housing internally displaced persons (IDP) and refugee families. The priority in this period was to demonstrate to senior SEM officials the urgency to get legal documents, construction permits and other necessary paperwork in order by the end of March. The move to a new facility is a pressing factor. The current lease for temporary space with the Red Cross of Serbia will expire in September. Sufficient funding and a full summer construction season will be needed to get any new NTC facility ready by September.

National Training Center - Keys to Continued Progress

- **Get Involved** - The degree to which NTC and PPES are co-training and co-coordinating this final local municipality training phase is seen as an indicator of how the transition is successful and moving forward.
- **Get Compliant** - The current system for creating, reviewing and receiving approvals on new NTC curricula should be streamlined to the extent they can be within the MOI's current standards.
- **Get Together** - For an integrated emergency management system to function properly, local actors need to be treated as full partners. With the continued joint participation by SEM, NTC and PPES in Certified Municipalities meetings, the culture of "collaboration" in disaster management can be built versus a focus on municipal "compliance" with the new law. NTC's active role in the delivery of simulation exercises with local Red Cross chapters in the near future will continue to set the right tone.
- **Get Sustainable** - The National Training Center and PPES have prepared a six-month transition calendar of joint activities to ensure the uninterrupted continuation of National Training Center activities for years to come.

BUILDING INTERNATIONAL COOPERATION

The Preparedness and Planning Team continued to build relationships between international organizations, the SEM and municipalities in Serbia to achieve several important goals:

1. Expand resources through partnerships;
2. Share knowledge and information;
3. Access best practices;
4. Demonstrate the viability and replicability of PPES methodology within the region.

During this reporting period several important steps were taken to improve and support the newly established integrated disaster management system in Serbia. Following an initial visit last spring to the Federal Emergency Management Agency (FEMA) and its Emergency Management Institute (EMI) by the SEM Director and Assistant Director, PPES organized a study visit for a seven-member SEM delegation. The goal was to introduce the group to the state-of-the-art approaches and methodologies used for emergency management and training and to bring them in contact with their American counterparts who work on similar issues.

U.S. Study Visit for SEM and NTC Senior Management

Senior staff members from the Ministry of Interior's Sector for Emergency Management (SEM) and the National Training Center (NTC) participated in an eight-day study tour to Washington, D.C., and New York City, October 31 to November 8. They met with Federal Emergency Management Agency (FEMA) officials, toured its training institute and visited local emergency management centers within the region. The group also met with USAID's Office of Foreign Disaster Assistance (OFDA) and the New York City Office for Emergency Management.



Aleksandar Lazarevic, Head of NTC, found FEMA's e-learning program to deliver informational courses to be an approach the NTC and Sector can suitably scale for NTC training programs

Exposure to FEMA and EMI as well as local Offices for Emergency Management allowed SEM and NTC staff to witness the latest technology and training methods and experience how national and local coordination is used to prepare first responders to be more effective. As a result, SEM and NTC senior leaders have become more receptive to the necessary changes required to modernize Serbia's emergency response training and service delivery.

U.S. Study Tour

- PPES will help SEM identify training topics and discuss opportunities to bring FEMA's trainers to Serbia to deliver their Integrated Emergency Management course in Serbia;
- PPES will continue to provide support to the National Training Center in implementing lessons learned during the U.S. study visit, with a focus on new training techniques, development of new curricula and organization of tabletop simulation exercises;
- PPES will support regular meetings of the U.S. study visit participants group to preserve their positive momentum, support further development of the NTC and introduce more modern approaches to emergency management in Serbia;
- PPES will track and monitor the implementation of new methods and approaches learned during the study tour; and
- PPES will facilitate efforts of SEM's International Cooperation Department and the National Training Center to strengthen cooperation and exchange with U.S. counterparts.

UNISDR

PPES trained municipalities continued to receive international attention during the reporting period. The Ministry of Interior and PPES presented Serbia's local government disaster management and certification methodology to representatives of 24 European governments participating in the First European Forum for Disaster Risk Reduction (EFDRR), October 6-8. The PPES methodology continues to be viewed as a model to be replicated in other countries working to improve disaster resiliency. The Forum, held in Sweden, complimented the U.N. for its Hyogo Framework for Action (HFA) initiative – the effort to support countries in the development of disaster prevention and mitigation programs. With the inclusion of 18 Serbian cities in the U.N.'s International Strategy for Disaster Reduction (UNISDR) – representing half of the total European cities accepted into the program – Serbia is emerging as an international leader in disaster management preparedness and planning.



Further validating UNISDR's attention to PPES's local government disaster risk reduction activities, the mayor of Nis – a program partner – has been invited to talk about the city's *Safety Strategy* at UNISDR's Global Platform for Disaster Risk Reduction meeting in May 2011. Considered the world's premier gathering of disaster management stakeholders, the Global Platform offers yet another opportunity for a Serbian leader to share information and experiences with leaders from different regions.

PPES continues to build relationships with well-established training programs that could be brought to Serbia. Currently the team is discussing with UNISDR the holding of its disaster management training for local leaders during the coming summer months. As part of its Disaster Risk Reduction (DRR) and Safer Cities initiatives, the U.N. is training local leaders to improve their communities' ability to identify and manage risk unique to larger communities. The U.N. organizes the sessions so local and national officials are together in a setting that allows them to discuss local needs and how to meet them.

EMERGENCY AND DISASTER MANAGEMENT MONITORING AND SURGE REPORTING

In this reporting period the Preparedness and Planning Team:

- Produced six *Monthly Bulletins* tracking government efforts to create and sustain a modern emergency response system with a focus on institutional development of the National Training Center.
- Issued two *Hazard Reports* updating USAID on floods in Western Serbia and the explosion in Cacak ammunition factory.
- Circulated nine *Situation Reports* in response to one of the worst earthquakes Serbia experienced in recent memory that hit Kraljevo on November 3, 2010.

Finally, PPES was recognized for its help in assisting the office for Defense Cooperation (ODC) of the U.S. Embassy in Belgrade in the preparation of the needs assessments to expedite the post-earthquake recovery in Kraljevo and mobilizing available ODC support. This support resulted in the procurement of nearly \$400,000 worth of home repair kits and other vital materials. The Program's facilitation of the needs assessment was cited by the ODC, the City of Kraljevo and the Serbian Red Cross for its thoroughness, professionalism and role in expediting recovery.



PPES Crisis Monitoring and Reporting October 2010 to March 2011

2-3

DATE	REPORT TYPE	TITLE AND/OR TOPIC
November 3	Preliminary	Kraljevo Earthquake, November 3, 2011
November 3	Situation	Situation Report Kraljevo Earthquake #2
November 4	Situation	Situation Report Kraljevo Earthquake #3
November 4	Situation	Situation Report Kraljevo Earthquake #4
November 5	Situation	Situation Report Kraljevo Earthquake #5
November 5	Situation	Situation Report Kraljevo Earthquake #6
November 9	Situation	Situation Report Kraljevo Earthquake #7
November 10	Situation	Situation Report Kraljevo Earthquake #8
November 24	Assessment	Kraljevo House Repair Kits Assessment
December 3	Hazard	Hazard Report #24, Flooding in Western Serbia
December 27	Hazard	Hazard Report #25, Cacak Ammunition Factory Blast
December 30	Monthly#1	National Training Center Development Report October/ November
December 30	Monthly#2	National Training Center Development Report October/ November
February 28	Monthly#3	National Training Center Development Report December/ January
February 28	Monthly#4	National Training Center Development Report December/ January
March 31	Monthly #5	National Training Center Development Report February/March
March 31	Monthly #6	National Training Center Development Report February/March

CHANGES TO THE WORK PLAN

Preparedness and Planning Changes to the Work Plan

The Ministry of Interior has allowed the legal timeframe for adoption of implementing bylaws for the Law on Emergency Situations to pass. The impact on the program's ability to meet all of its planned goals for FY11 and to continue its work to develop public policy, expand the training curriculum for local government first responders and create a donor conference has been significant.

Policy Reform (WP 2011 task I-B)

Following the successful campaign to adopt the Law on Emergency Situations, the Preparedness and Planning team targeted the passage of the implementing bylaws as a priority in FY 2011. To date, only three bylaws have been adopted of the 29 needed to fully implement the law. The ministry has redirected its energies to other matters and allowed the legal deadline for passing the bylaws to come and go. Thus PPES was forced to narrow its assistance for FY2011.

The situation makes it nearly impossible for the team to help the Sector organize public opinion research or provide technical and legal review of the draft texts in the time remaining in the program. However, the dialogue between the local and national governments related to municipalities' roles in forming bylaws and other formal documents will be maintained and supported through the Certified Municipalities Group.

The program is scheduled to participate as part of the inter-ministerial working group tasked with developing the National Strategy for Protection of Citizens in Emergency Situations. The working group will be in session by July 2011; the planned result is to complete the national strategy and deliver it to the Government for adoption by the end of summer. PPES is just one of four non-governmental entities to be included on the 17-member working group panel; the others include: SCTM (Standing Conference of Towns and Municipalities), Red Cross of Serbia and UNDP.

Expanding NTC Training Curricula (WP 2011 task II-B)

Over the past six months, PPES has supported the development of new training curricula for heads of DM teams and has initiated transfer of its three-module training methodology used for the PPES local government certification process. The program's plan to assist the NTC in development of a specialized curriculum to help municipalities manage specific types of disasters has been tabled due to the NTC's ongoing internal development needs. At the end of March 2011, the National Training Center continued to be understaffed. Given the circumstances, the program would rather ensure that the NTC can properly deliver existing programs rather than push for expansion of training curricula. This affects the team's ability to meet its goal to help develop a training manual for fire protection planning.

Support SEM/NTC in the identification of funding sources (WP 2011 task II-F)

During the reporting period, PPES helped the Sector define potential vision and mission statements and trained key leaders in the role of each in strategy development and fundraising. However, the Sector is still far completing a definitive strategy and is not ready for a donor meeting. PPES will continue to support the process toward the donor meeting but the meeting itself is not expected to happen before the end of the project.

Certified Municipalities Group

Toward an Efficient System of Emergency Management

Just four years ago, Serbia's emergency services were in disarray. Municipalities in close proximity to one another might be unaware of each other's needs or capabilities. Training was sporadic and uneven; planning virtually nonexistent. When disaster struck, responders waited for direction from the central government, where responsibilities were spread across several ministries.

As one of its core activities, USAID's Preparedness, Planning and Economic Security Program (PPES) took on the challenge of building an integrated system of emergency management.

Starting from scratch, PPES established a strong partnership with municipalities to train them to prevent, plan for and recover from disasters. PPES provided training to disaster management teams from 80 municipalities; 52 of these municipalities earned Enhanced Disaster Resilient status. Even more importantly, municipalities across Serbia shifted their thinking and practice from reactive to pre-emptive; in emergency management, this reduces property damage and deaths as well as improves response and recovery time – vital elements of successful disaster management.

The national government took notice and a relationship with the Serbian Ministry of Interior evolved. Working with Predrag Maric, then head of the Sector for Protection and Rescue, PPES and their newly certified municipalities began to re-define the legal framework for emergency management. As a result of this partnership, today Serbia takes pride in its Law on Emergency Situations, modern legislation that meets relevant European standards in emergency management.

The law provided for the formation of a National Training Center, which has emerged as the key national institution for training emergency responders at all levels.

Finally, PPES encouraged the formation of the Certified Municipalities Group (CMG), a working group that provides a forum for disaster managers to share information, identify common concerns, and coordinate activities. The CMG has emerged as leaders in modernizing emergency services and advocating for strengthen relationships and coordination across all levels of government and all related stakeholder institutions and organization.

Recent PPES interviews with two key practitioners illustrate these developments and shed light on current disaster management thinking in Serbia. Dragos Radovanovic, Head of the Department for Prevention in the City of Kragujevac. Representing the national level, Predrag Maric serves as Assistant Minister of Interior and Head of the Emergency Management Sector. While conducted separately, when taken together, they present an effective snapshot of how disaster management thinking and practice are evolving in Serbia and how the rift between local and national government, that existed when the program started, is well on its way to healing.



A scene from a flood in Serbia: Lack of coordination in emergency situations translated in to broken dreams for thousands of people.

"In the long term, CMG should become the axis of the national emergency response system. Its ability to improve the system and mobilize stakeholders should never be neglected."

Dragos Radovanovic, Head of the Department for Prevention in Kragujevac

Predrag Maric is the Assistant Minister of Interior and Head of the Sector for Emergency Management. He has been with the Sector and its predecessor, the Department for Protection and Rescue since 1991. Mr. Maric lobbied for the new, modern, comprehensive law on emergency situations for Serbia for more than five years. He is often in the media, commenting on emergency and disaster management. In the last few years, he initiated additional trainings for firefighters in preparation for work during floods and earthquakes.



Dragos Radovanovic has been Kragujevac's Head Emergency Manager for five years. He is at the helm of the City Department for Preventive Protection; supervising a team of 13 people. Radovanovic graduated from the University of Belgrade and holds a Master's Degree in Security Studies. His experience in emergency management was built during his 30 year career during which he worked for the Ministries of Education and Defense. He is a published author and an authority in emergency management. Radovanovic is among the most active advocates of the CMG and one of the people to spearhead the reform of the system emergency management in Serbia.

Q1

What are the shortcomings of a highly centralized system of emergency management?

Dragos Radovanovic:

As the level of government closest to the people, local government functions at the forefront of every emergency situation. Our primary strength lies in our ability to use the knowledge of our community. Identifying potential problems enables us to act pre-emptively and try to prevent emergencies from happening. But when one happens, local government is what can ensure that citizens receive the most vital provisions, and act to ensure that the recovery process is as short as possible.

Predrag Maric:

The Emergency Management Sector supports municipalities in reaching a higher level of resilience and is able to coordinate a multitude of stakeholders in major emergencies. We can also help municipalities address their training needs or overcome organizational shortcomings. On top of it all, we are in the position to maintain the most efficient training system of emergency responders.

What are the shortcomings of a highly centralized system of emergency management?

Q2

Dragos Radovanovic:

Centralized systems suffer from slow response time and lack of efficiency. They miss vital, up-to-date information in emergency situations and, therefore, cannot react as quickly as necessary. On the other hand, it would be a really bad idea to assume that a completely decentralized system would do significantly better. It is the synergy of the two systems that we should be looking for and the CMG allows us to do just that – to amalgamate different stakeholders into one, primarily pre-emptive, system of emergency management.

Predrag Maric:

A highly centralized emergency management system, like the one we had prior to reforms and introduction of the new Law on Emergency Situations, had significant shortcomings such as unclear lines of duties and responsibilities. It prevented the system from being efficient as it suffered from the lack of proper local-level feedback and the ability to be everywhere at the same time. Also, since they could not be held accountable for something that wasn't their job, municipalities did little or nothing to improve the system of emergency management on their own and I am sure we would all agree just how bad that is for the overall safety of citizens

Q3**Where can local and national-emergency responders benefit from cooperation with one another?****Dragos Radovanovic:**

As we have seen from participation in the CMG, coordination and exchange of information among the stakeholders is crucial for successful emergency management. Each of the stakeholders has its own unique understanding of the problem and when put together these become the thing we desperately need – a holistic, integrated, multi-level system of emergency management.

Predrag Maric:

For years before the reforms, we played a game of rivalry with local municipalities trying to impose state authority in this area. Municipalities responded with little interest in the issue, leaving everything to the central government. The ones who suffered the most from this situation were citizens, or, in other words, exactly those the system should protect. Today we work together and we learn of each other's needs. Without cooperation we would not be able to learn of the local-level needs and participate in building a successful educational and training system for emergency responders. Cooperation makes us successful which means citizens are safer and their property more secure

Has PPES certification and creation of the CMG been successful in raising the level of cooperation between the local and national governments?**Q4****Dragos Radovanovic:**

Yes, absolutely. But it's not just that. You know, different levels of governments are not the only stakeholders in the process. What we have through CMG is a chance to interact with other equally important institutions such as the Red Cross, the Hydro-Meteorological Institute or the Association of Flash Flood Engineers. These people add the necessary expertise into our policies and make them truly efficient.

Predrag Maric:

Certification was a government's job that the government was failing to do until PPES started showing us how to do it. The first concrete steps toward an integrated system of emergency management were made with PPES support through the certification process and, later, through CMG activities. CMG raised the level of cooperation, and has allowed for its continued growth. That is the real benefit!

Q5**What would you outline as a direct benefit for your institution that you draw from participating in the CMG?****Dragos Radovanovic:**

We implemented a whole set of solutions "discovered" by other municipalities in emergency management. Sometimes CMG looks to me like a trade fair for free, ready-made solutions in emergency management that come with user-friendly assembly manuals and a 24/7 support center that you can call if you get confused in the process. That is irreplaceable.

Predrag Maric:

We learned how to work with local governments and how to offer them an efficient training system. Our National Training Center watched PPES carefully during the certification process and now we can replicate that process on our own. That is the biggest direct benefit I can see from the process.

Have you already learned and implemented (identified for implementation) something from participation at CMG meetings?**Q6****Dragos Radovanovic:**

Yes, the information we exchanged during CMG meetings allowed us to raise the efficiency of our Damage Assessment Teams. The team even participated in the damage assessment after the November 3, Kraljevo earthquake – which is also one of the result of our contacts with other municipalities established through the CMG.

Predrag Maric:

Our National Training Center is now in the process of conducting training for all mayors in their capacity as Heads of Disaster Management Teams. You can say that is something we learned from PPES and its certification process that includes the CMG.

Q7

Where would you like to see improvements in emergency management on the national government side?

Dragos Radovanovic:

Government needs to offer solutions for the long-term, sustainable funding of the country's emergency management system, and that is something we are all anticipating with much excitement because we will be able to tackle more serious issues and problems.

Predrag Maric:

We have created a single Sector for Emergency Situations, combining personnel from three ministries. Now, we need to continue with our modernization effort, improve our operational maneuverability. We should also become directly responsible to the Prime Minister

Where would you like to see improvements in emergency management on the local government side?

Q8

Dragos Radovanovic:

Local government should do more to link local-level stakeholders to create an integrated cross-community system of emergency management in the same way that the CMG is creating a cross-national system.

Predrag Maric:

Local governments need to develop a clear sense of responsibility toward their citizens. They need to understand that although some interventions require substantial funds, most do not and can be achieved with minimal funds.

Q9

Do you see the CMG as useful for the national system of emergency management in the long term?

Dragos Radovanovic:

In the long term, the CMG should become the axis of the national emergency response system. Its ability to improve the system and mobilize stakeholders should never be neglected.

Predrag Maric:

Absolutely. We are in the process of forming local disaster management teams across the country and the CMG can be vital in bringing them up to date with the latest solutions in emergency management and help them offer better protection to all citizens of Serbia.



Clearly, Serbian local and national officials have taken the framework and training provided by PPES and worked to create a mutually beneficial relationship for preventing disasters and dealing with them rapidly and efficiently when they do happen. By emphasizing communication and cooperation while introducing modern disaster management methods, they are continuing to build upon the PPES-fostered integrated system of emergency management to the benefit of every Serbian citizen.



PPES supported jeans manufacturer Bros from Novi Pazar

ECONOMIC SECURITY

INTRODUCTION TO ECONOMIC SECURITY ACTIVITIES



PPES supported shoe manufacturer Minex from Vranje, which created 55 new jobs in 2011. Company owner, Mr. Stoilkovic believes business trainings, new marketing materials and ISO certification activity have all contributed to his company's success in many ways

- Engaging Ambassadors from 10 countries and Mladjan Dinkic, former Minister of Economy and Regional Development, to address the needs of businesses in Sandzak. This meeting led to the commitment of government resources to open a permanent showroom for Serbian textile manufacturers in Russia.
- Negotiating an agreement with a Polish partner to establish a permanent presence in that European market – the EU's ninth largest.
- Providing more than 500 young people with business training and the potential to access financial resources to start a business.
- Expanding access to Youth Office-based Career Guidance and Counseling Centers with the help of Manpower, Inc., a global human resource company.
- Building Junior Achievement Serbia (JAS) into a leading program – it earned JA Europe Model Nation status in this period – just one of six European countries to be so designated.

All these achievements are linked by the two sides of the human resource equation – the business owners need for the knowledge to compete, create jobs and profit in today's economy with the need for a skilled, motivated workforce to lead business further into the future. This equation can be portrayed as a classic supply and demand model, as can be seen in Figure 3-1. For the purpose of this report, activities are largely described using tangible numbers. But the numbers themselves don't tell

Building on its past successes, the Economic Security team continues to meet and exceed expectations. Despite working in some of the most underdeveloped regions of Serbia during a few of the most economically challenging years in recent history, the program's beneficiaries continue to grow, reach new markets, start new businesses and create new jobs. In this reporting period some of the team's groundbreaking actions include:

Successful PPES supported companies from South Serbia take advantage of Serbian Government incentives to invest in economically devastated municipalities and create over 160 new jobs in 2011.

Minex

Headquarters: Vranje
Produces: Shoes
Invested in: Vladicin Han
New jobs: 55

Pegasus

Headquarters: Vranje
Produces: High-end furniture
Invested in: Vladicin Han
New jobs: 60

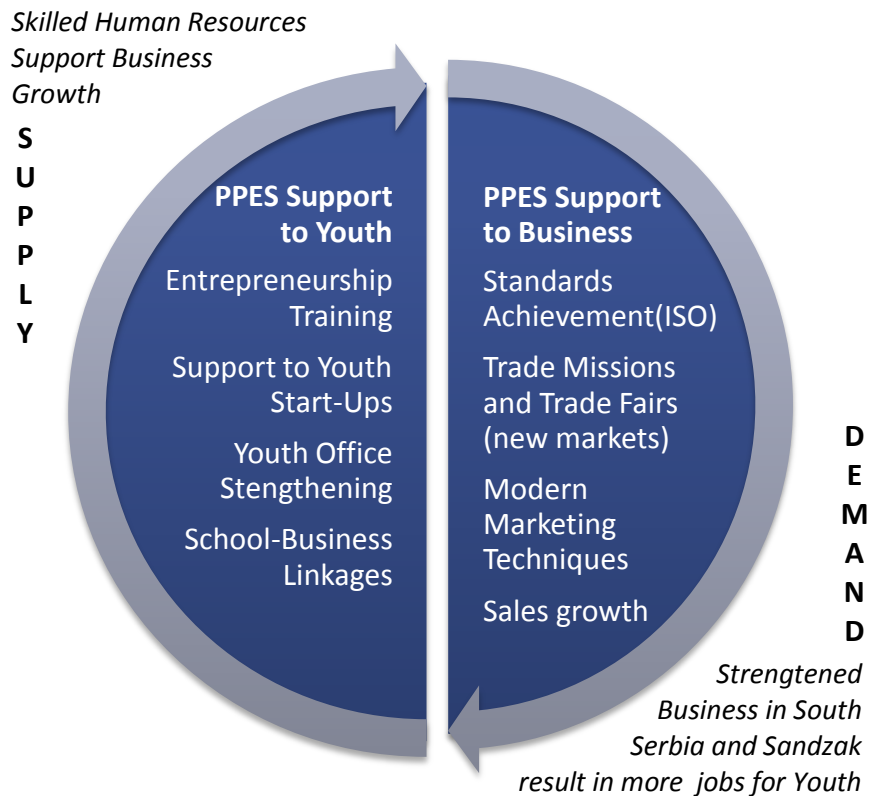
Termomont

Headquarters: Leskovac
Produces: Custom-made wood doors and windows
Invested in: Bojnik
New jobs: 50



Improving overall economic security

3-1



the whole story – for example, they can’t capture the individual effort of a sales manager, trained by PPES and taken to a regional trade fair in Kosovo where he used every spare minute to drive across the entire country meeting potential buyers. That manager from Moravka is a major reason the company took less than two years to double its exports.

The total long-term impact is never fully calculable. What is known is that the program activities to strengthen Serbian-owned businesses in the two most economically challenged regions of the country so they can become major exporters does position them to be leaders in their communities’ financial recovery. The activities also have them prepared to leverage the new business stimulus packages planned by the Serbian government to implement its export-oriented economic strategy.

What is also known is that the program activities to strengthen Youth Offices and stimulate a community-wide focus on youth unemployment with special attention paid to youth entrepreneurship prepares a generation of young people to take advantage of the new opportunities an export-oriented economy can offer.

SALES DATA ANALYSIS

PPES' mandate is to address business development problems in the country's two most economically vulnerable regions – South Serbia and Sandzak. All communities in which the team works are defined by the government as underdeveloped. The program has targeted underdeveloped municipalities because the goal of economic security cannot be reached unless all areas of the country enjoy some level of economic prosperity.

Top Five Sales Figures for PPES Companies

1. 600% growth in revenues from food export, from just under \$1.5 million to \$10 million.
2. 100% of the companies joining PPES since 2008 survived the economic crisis (132 companies)
3. 77% overall growth among South Serbian companies – one of the country's poorest regions.
4. 17% overall growth between 2009-2010 in the midst of an economic crisis.
5. \$10.5 million in export sales for the apparel sector, including four new major markets – Germany, Poland, Russia and Belarus – all in the face of a downturn that hit this industry the hardest.

PPES has been working in South Serbia and Sandzak for four years now. A total of 337 businesses have received some form of assistance, while 137 firms have received “intensive” support. Intensive assistance is defined as ongoing, long-term support including a package of aid starting with training and continuing on to targeted technical assistance, trade fair attendance support and assistance with capital investments.⁹ The following analysis is based on sales figures reported by these intensively assisted firms from 2007 to 2010.

Methodology

A. Research Sample

Of the 137 firms that have received intensive assistance, the project was able to collect sales data from 132 firms¹⁰. It is important to note that these firms started cooperation with PPES at different times—work started with 43 firms in 2007, 58 in 2008, and 31 in 2009. No new companies were added to the program in 2010. In all, 97 firms were able to provide complete sales information for the entire period of 2007 to 2010. Because companies entered the program in different years, those joining later in the program did not always provide sales figures for the years prior to becoming part of PPES. Therefore, a subset of 125 companies with data for 2009–2010 was primarily used in this report, unless indicated otherwise.

B. Data Analysis

The data were calculated in two ways. In the first analysis, sales figures were weighted to account for the impact of a company's size and volume of sales on overall results. Then data were evaluated using mathematical averages of individual company's gains and losses between 2007 and 2009 or between 2009 and 2010 for the companies providing sales data for only those years. This report includes figures from both methods of calculation.

⁹ In the first year of the program, PPES issued open calls for interest and provided one-off training (on business planning and financial management) and/or one-off grants to a larger number of businesses. This strategy was discontinued in Year 2 of the program in favor of the “continuous relationship/intensive” strategy upon concluding that “business support lite” was not having the intended impact on sales, employment or new market expansion.

¹⁰ The data of five companies are unavailable: three start-up companies joining in 2007 were no longer in business by 2008; and two will not share their sales data with the program, citing data use concerns.

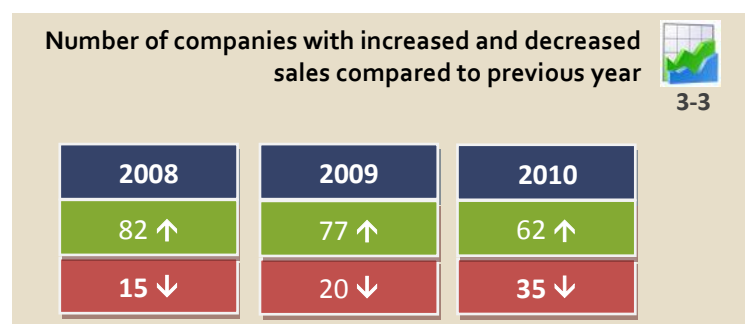
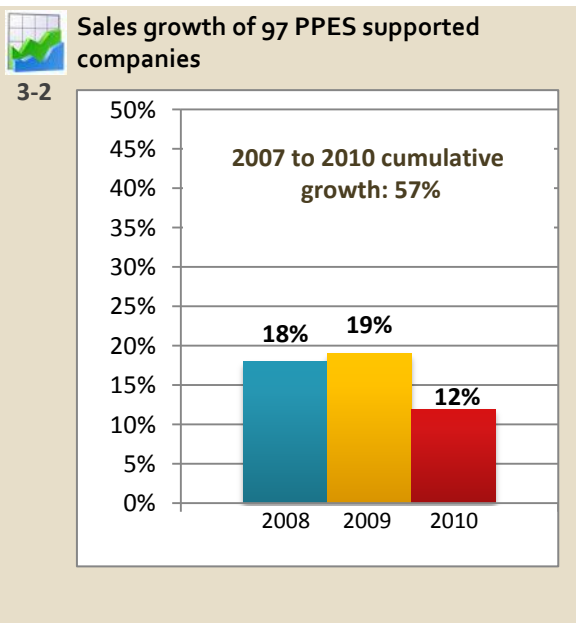
General Overview

The overall sales growth of PPES-supported companies from 2007 to 2010 is 57 percent. Just as importantly, for those 125 companies that only had data for 2009–2010, the worst economic year for Serbia since the democratic transition, PPES-support companies still showed growth of 17 percent. In each year, a greater number of the program's companies experienced sales growth than those that suffered declines. This trend holds true for both South Serbia and Sanzjak. A total of 33 companies (34%) enjoyed continuous growth across all years.

These results are an outstanding accomplishment given that they were achieved against the backdrop of a recession that hit Serbia in 2008 and continued throughout 2009. During the recession, more than 46,500 or 14 percent of Serbia's registered businesses failed in 2010. Times were especially tough on small businesses as 42 percent of all sole proprietorships closed their doors last year. The impact of the crisis rippled throughout the economy – collection of personal and corporate income taxes contracted on an annual basis (by 9.1 percent and 16.8 percent, respectively). According to Serbia's Statistic's Office, Gross Domestic Product (GDP) shrank by 4 percent in 2009. While the details of this analysis do show that the economic decline challenged the team's companies, the overall positive growth among these companies was the good news in regions where unemployment reached as high as 70 percent in some municipalities.

A. Cumulative Sales Analysis

The year-to-year sales growth between 2007 and 2010 can be seen in Figure 3-2. The impact of the recession is reflected in the rate of sales increase in 2010, which at 12 percent is about 30 percent lower than the rate of sales increase in the previous two years. This is to be expected. For many firms, 2009 revenues were a reflection of orders placed in 2008 and filled during 2009. Thus, in the early and middle stages of the recession, revenue for many of the companies remained strong. It was the downturn in orders placed in 2009 to be filled in 2010 that contributed to the slower growth in 2010. This downturn is also reflected in the number of companies that saw sales decline in 2010 vs. previous years, as can be seen in Figure 3-3.



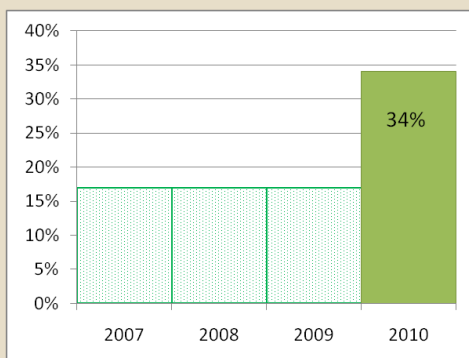
B. The Role of Exports: Aligning with National Economic Strategy

The Economic Security team aligns its activities with the national strategies of Serbia. At the 2010 Kopaonik Business Forum, Prime Minister Mirko Cvetkovic announced to Serbia's political, economic and business leaders that the "future focus [of Serbia] must be on strategic sectors which will be export generators in the period after crisis."¹¹



3-4

Growth of Exports as part of Companies' Total Sales¹²



As the team highlights in the Implementation Section of this report, PPES activities led its supported companies through a step-by-step process to strengthen their export opportunities. From marketing strategies to marketing materials and meeting international standards to meeting potential buyers through trade fairs and trade mission visits, the team has helped its companies enter 17 new export markets. Of the 97 companies in this analysis, more than half (52) generated revenues through exports during last four years. Among all the program's companies, 56 of them report income generated through export sales. As can be seen in Figure 3-4, the work on helping companies diversify markets through building export sales has resulted in companies' exports as a percent of total grow to 34 percent in 2010.

The overall growth in export sales also demonstrates that once companies were introduced to new buyers at trade fairs, they were able to leverage those new markets and customers to generate additional export sales. PPES-supported trade fairs generated \$11 million in new revenues for its companies. While the return on the program's \$400,000 investment to support companies' attendance at 19 different trade fairs since 2008 is 27-to-1, the impact has been far greater as the total sales from exports among supported companies over the four years is in excess of \$26 million.

¹¹ B92 Website, March 1, 2011

¹² This is a new indicator for the program and is a preliminary analysis. More research is needed on 2007-2009 export data.

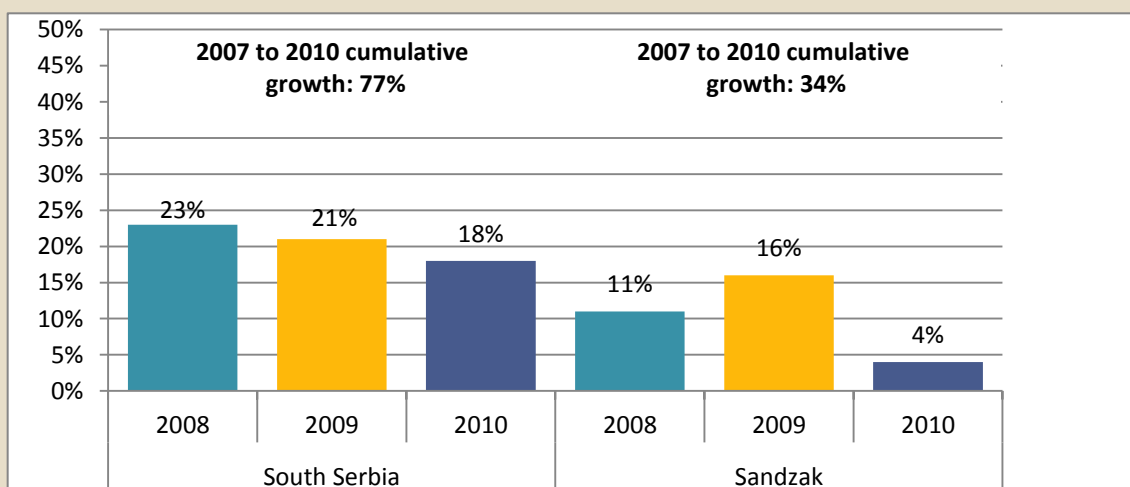
C. Regional Differences

The analysis of sales data for Semi-Annual Report 8 revealed no statistically significant differences between the two regions' rate of year-to-year sales growth. However, with the addition of 2010 sales data, the impact of the economic crisis appears to have taken a greater toll on Sandzak than South Serbia. As Figure 3-5 shows, firms in South Serbia saw a 23 percent increase from 2007-2008, a 21 percent increase from 2008-2009, and an increase of 18 percent from 2009-2010 for an overall increase between 2007 and 2010 of 77 percent. Firms in Sandzak saw an 11 percent increase in the period 2007-2008, a 16 percent increase in the period 2008-2009, and an increase of 4 percent in the period 2009-2010. The overall increase between the period 2007-2010 was 34 percent.



3-5

Sales Growth in South Serbia and Sandzak



The primary reason for this difference appears to be the mix of business sectors represented in each region. The economy of Sandzak is heavily reliant on the apparel industry -- much more so than South Serbia, which is more diversified. Thus, a sector that had been struggling to reclaim its position in the Serbian economy was dealt a particularly bad sales year from late 2009 through the first half of 2010, when the economic crisis limited discretionary spending among domestic consumers as well as among import wholesalers and retailers throughout the region and the EU.

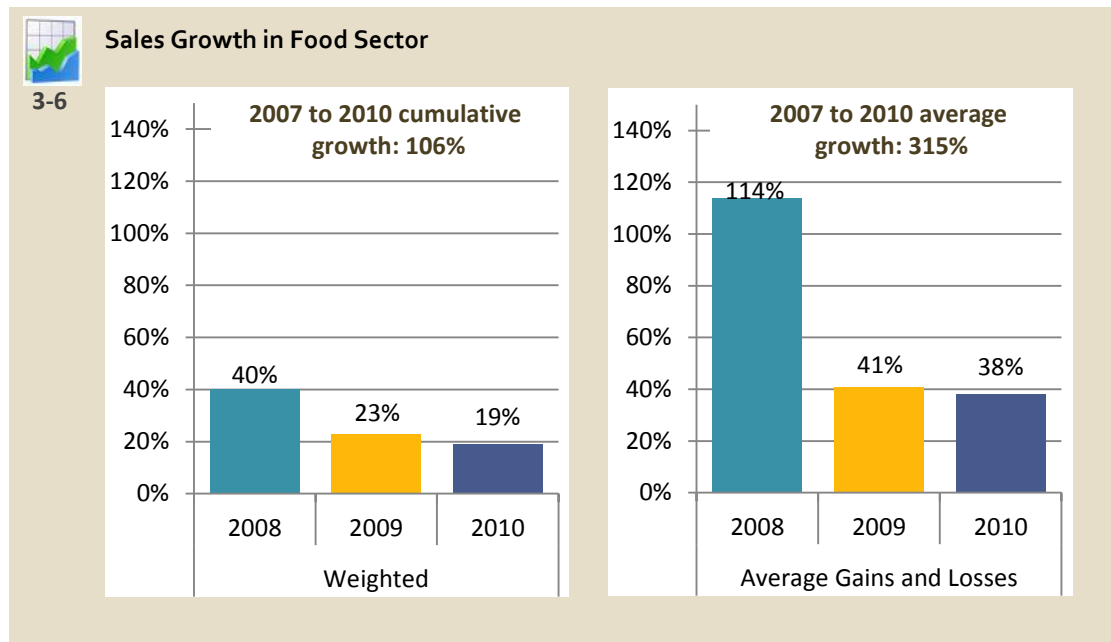
Anomalies in each region's food industry also influence the different rates of growth. South Serbia has 30 percent more companies in the food sector than does Sandzak. More importantly, South Serbia's food sector includes several wholesalers that were small when they joined PPES's business support program and have now grown significantly¹³. These two factors combined generate sales volume in South Serbia three times that of Sandzak, which has a food sector of producers -- mostly meat and dairy. Both have enjoyed healthy growth over four years (117% in South Serbia and 79% in Sandzak).

¹³ For example, Moravka, which recorded just \$141,000 in sales at the time it joined PPES and is one of the program's most active partners, grew more than 6,000 percent in four years, recording more than \$9 million in sales in 2010.

Market Sector Analysis

Across the two regions, the project has worked intensively with firms in five sectors: Food (37), Light Manufacturing (36), Apparel (29), Tourism and Services (30 companies and 24 private accommodation owners). There were significant differences in the sales data among the sectors

A. Food



In the period 2007-2010, the food sector more than doubled its sales revenues from \$33 million in 2007 to \$68 million in 2010. The increase in sales is all the more phenomenal when calculating the average gains/losses of individual companies. Using this methodology, the sector's overall increase for 2007-2010 is 392 percent.¹⁴ Nearly half (15) of the 32 companies sharing sales data have enjoyed continuous growth across all four years.

Exports, too, played a major role in the growth of the food sector companies. PPES has targeted trade fairs and trade mission visits for these companies throughout the region and has successfully opened new markets in Kosovo, Macedonia, Albania, Bosnia and Herzegovina as well as Turkey. Between 2009 and 2010, export sales for the 15 food companies that sell beyond Serbia's borders saw export revenues grow by nearly 600 percent, from just under \$1.5 million to \$10 million.

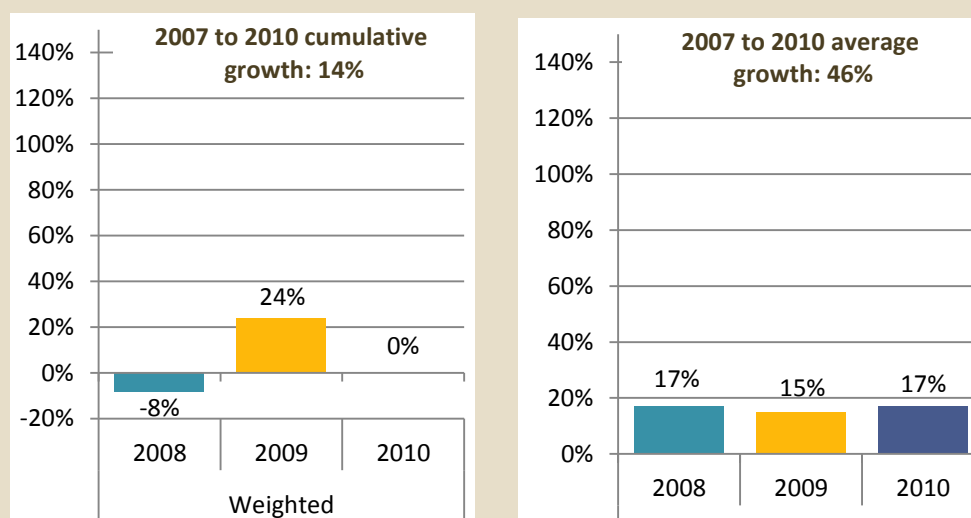
The impact of the food sector's economic success goes beyond the 32 companies in this analysis. Most of the assisted companies are agricultural producers that partner with hundreds of local farmers. For example, Milkop Dairy relies on 1,000 local farms in Sandzak to supply the milk needed each day and Fontana in South Serbia has partnership agreements with nearly 500 farms that support its dairy production.

¹⁴ While the whole food sector is thriving, these numbers are highly influenced by five wholesalers in South Serbia that produced 56 percent of the total sales volume for all PPES-supported companies (including South Serbia and Sandzak) in the food sector.

B. Apparel



Sales Growth in Apparel Sector

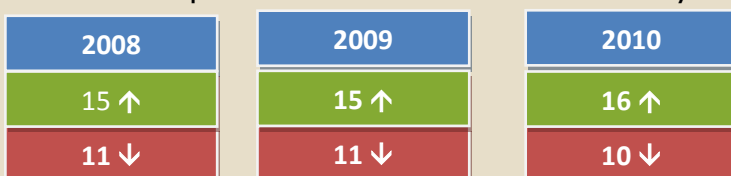


In the analysis for Semi-Annual Report 8, Mr. Nihat Ugljanin, owner of jeans manufacturer Brug and board member of the Sandzak textile association ASSTEX, warned that the economic downturn would have a delayed impact on the apparel sector. The industry in the first two quarters of 2009 was still filling orders from 2008. Thus, the decline in new sales would not become apparent until the end of 2009 or early 2010. Mr. Ugljanin's prediction for the sector was correct. The sector grew by 24 percent between 2008 and 2009. Then the economic crisis hit and sales, for the sector as a whole, dropped. Using data from all apparel companies providing sales figures for the period 2009 – 2010, the sector managed to grow, but by only one-tenth of 1 percent (0.14%)¹⁵. The overall sales growth over the entire period of 2007 to 2010 was nearly 14 percent. Calculated by the average gains and losses of individual companies, the average growth per company was 46 percent.

Some companies fared better than others, though. Overall, more apparel companies grew (16) between 2009 and 2010 than lost (10) as seen in Figure 3-8. Given the value of the Dinar against the Euro and Serbia's lower wage scale, it is not surprising a group of 11 companies that produce finished products for other brand names saw strong growth (45%) in the period 2009-2010. These were smaller companies, however, and their growth, while good news, could not overcome the 19 percent downturn in sales among the sector's 11 largest companies that manufacture and market under their own brand.



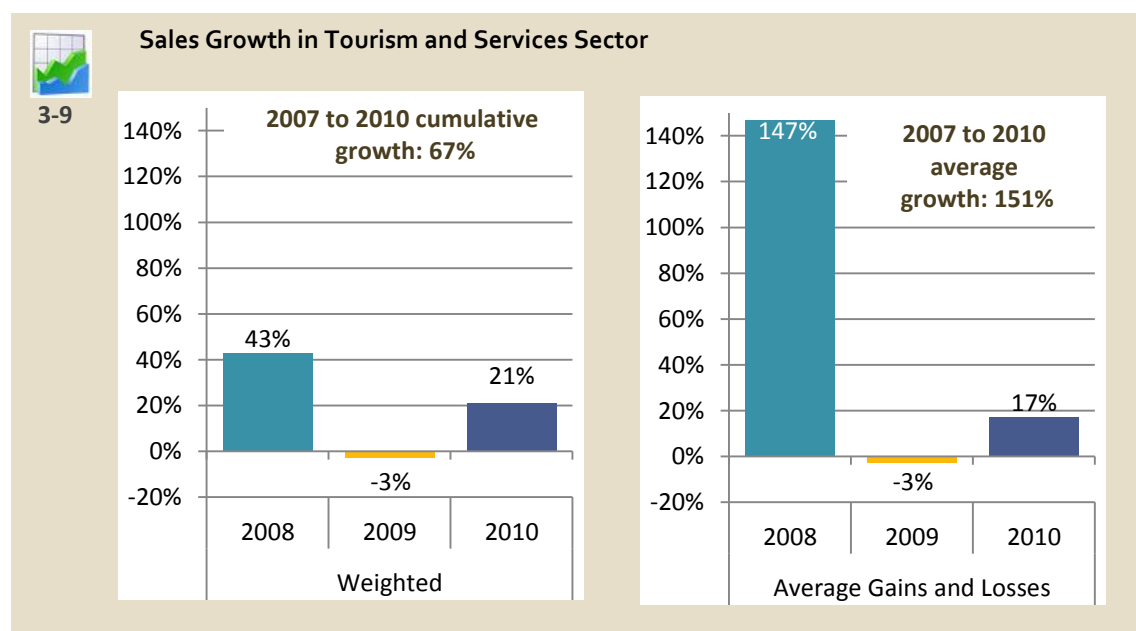
Number of companies with increased and decreased sales year-to-year



¹⁵ This result for growth for the period 2009-2010 is based on calculations from the 27 companies from the apparel sector that provided complete sales data for 2009 and 2010.

In the midst of 2010's difficulties, positive actions bode well for the long-term future of PPES' apparel companies. Through PPES' trade fair and trade mission strategy, a total of \$10.5 million in sales was generated from new export markets that include Germany, Belarus, Russia and Poland. In the past, Sandzak's apparel industry depended heavily on former Yugoslavian countries as major trading partners. The impact of the crisis on the economies of Croatia, Bosnia-Herzegovina and Montenegro caused a serious decline in exports to these countries and played a major role in the 2010 losses in the sector. The expansion into European and Russian markets will help the apparel industry be more resilient in the future by diversifying its markets.

C. Tourism and Services

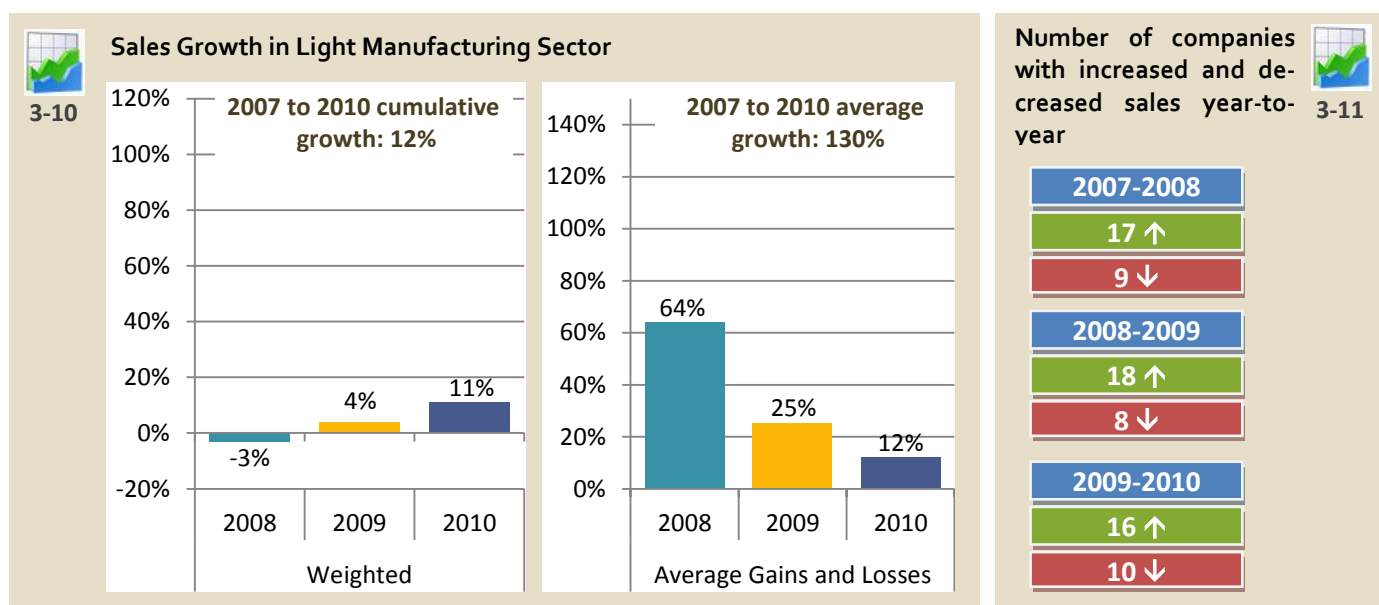


This sector is a combination of six tourism-related companies, three service sector firms and 25 home-based businesses (private accommodation owners). PPES finished working with this sector in 2009, but still collects data from the companies. Even as Serbia's national tourism saw an 8 percent contraction during the recession, PPES companies enjoyed double-digit growth in the periods 2007-2008 and again in the period 2009-2010.

Over the entire period of analysis, sales growth for these companies in the period 2007-2010 was 67 percent while the overall average of gains and losses for individual companies was 151 percent. The impact of the economy can be seen in the number of companies that experience sales growth. In the first year of the program, 90 percent of the supported companies experienced sales growth; during the crisis only 33 percent of the companies experienced growth but in 2010, that number reversed with 66 percent of the companies reporting sales growth.

To spur tourism in the Sandzak region, which has few hotel or motel services, PPES provided a series of small grants to home-based businesses, many to develop bed and breakfast services. Grants were awarded in 2008, and the economic impact was felt immediately. In the period from 2008-2009, overall sales growth was 276 percent. In their second year of business, however, these home-based businesses did not fare as well, experiencing an overall decline in sales of nearly 9 percent, as domestic travelers (the target market for these B&B facilities) reduced discretionary spending for weekend trips away during the recession.

D. Light Manufacturing



Light manufacturers seem to have hit a turning point in the last sales cycle. After struggling in 2008 and 2009, the sector rebounded in 2010. The average gains and losses for individual companies, while still positive, dropped to 12 percent in the period 2009-2010 as seen in Figure 3-10. The overall conclusion from the seeming divergence of the two figures is that small companies continued to enjoy relatively rapid growth during the economic downturn, but that the results of the sector as a whole was weighted down by sales slipping in a few of the larger firms.

Light manufacturers have faced challenges since 2008 following Serbia's boom construction years when the economy was expanding by an average of 6.6 percent a year and demand was high for everything from furniture to floor tiles to interior fixtures. However, PPES companies have generally shown incremental growth. Among those that suffered revenue losses, the majority of companies' losses were 5 percent or less¹⁶. In fact among the 26 companies analyzed the data reveal that, the number of companies that increased their sales was greater than the number whose sales decreased in each year as seen in Figure 3-12.

Conclusions

The overall sales results are positive. Though there is year-to-year variation, PPES-supported companies are exhibiting sustained, long-term growth across all the sectors, are diversifying their client base and are increasing exports. More impressive, despite a failure rate of 14 percent among businesses as a whole in Serbia during the recession, not a single PPES-supported business was forced to close its doors last year.

¹⁶ The overall sales figures were influenced by three companies that experienced sales losses in each reporting period: Pegasus, Enterijer and Hanplast¹⁶. These companies, among the largest PPES companies, suffered losses between 2007 and 2010 significantly greater both by percentage and dollar volume than other companies: 29 percent, 31 percent and 43 percent, respectively, due to factors specific to each company that is not representative of the sector as a whole. For this reason they are not included in this analysis.

NEW MARKETS

Approximately 120 PPES-supported companies have reached at least one new market since starting cooperation with the program. A new market¹⁷ is defined as new sales in a city or country that a company had not previously been present. New export markets achieved by program supported companies include the following 17 countries:

PPES conducted an attitude survey of 56 participating businesses in March to assess why (or why not) companies had achieved success in reaching new markets. All 79 % of companies that reported penetration of new markets stated that this has been the result of improved sales and marketing activities, a proactive approach and better understanding of the target market, which resulted in development of new products, improved quality and packaging, development of niche markets, and moving from low profitability to higher value products.

The most common reason given for why new markets were previously difficult to achieve was lack of information about the market. The least common response was lack of financial means to finance expansion.

Companies in the food and apparel sectors were the most successful in penetrating new markets over the past two years, while light manufacturers were the least successful.

Among the respondents, the new foreign markets entered included: Albania, Belarus, Belgium, Croatia, Czech Republic, Germany, Italy, Kosovo, Macedonia, Montenegro, Poland, Russia, Slovenia and Turkey.

Going Forward

The next level for PPES companies is to be able to accept bigger orders, enter Europe's best markets and become an influence in reducing unemployment in South Serbia and Sandzak. The economic downturn was a challenge for PPES companies but proved not to be an obstacle to progress. PPES encouraged efficiencies in management and operations that gave companies the ability to increase capacity while controlling costs.

Avoiding the trend discussed in the following *Economic Context* section where companies became fearful of making capital expenditures during the crisis, PPES companies were willing to risk making calculated investments in things that would make money: 45 companies re-branded and created new packaging and marketing materials; 20 companies committed to making sweeping operational changes to earn ISO certifications needed to open European markets; and 24 participated in trade fairs. These investments contributed to the companies' ability to weather the downturn, clearly borne out by the numbers. The focus on entering new markets and creating a permanent presence in newly opened ones, such as Russia, Poland and Albania, has made the customer base of PPES companies more diverse and, thereby, more resilient in a market economy. Twenty companies are expected to earn ISO certification this year, opening the door to even greater export opportunities.

New export markets

Albania	Germany
Austria	Italy
Belarus	Kosovo
Belgium	Macedonia
Bosnia and Herzegovina	Montenegro
Bulgaria	Poland
Croatia	Russia
Czech Republic	Slovenia
	Turkey



3-1

¹⁷ A new market is a different measure than "new sales". New sales could come from a new market, or increased sales in existing markets achieved by increased market share or the offering of new products to existing customers, for example.

The exceptional sales results are due as much to the hard work, commitment and energy of the business owners, executives and managers that PPES works with as it is to PPES' highly dedicated team. It is the quality of the company leaders that allows PPES to envision not just the sustainability of its work but to see South Serbia and Sandzak emerge as the vibrant regional and national economic centers they are destined to be.

MACROECONOMIC CONTEXT

Economic indicators suggest Serbia is poised for a recovery in 2011 after two of the most difficult years since the democratic transition a decade ago. Real GDP growth for 2011 is forecast at 3.2 percent after gaining 1.8 percent in 2010. Despite the devastating effects of a 4 percent contraction in 2009 GDP – increased unemployment, depressed wages, declining consumer spending, and excessive debt from the early 2000s – the economy shows signs of improvement¹⁸.

Even though the country's current trade deficit still stands at \$6.9 billion, its continued surge in exports has been the driving force behind the reversal in Serbia's economic fortunes, rising by 22 percent in 2010 alone as can be seen in Figure 3-12. In fact, Serbia enjoyed a trade surplus with its CEFTA partners of \$1.36 billion¹⁹. Serbia's competitive edge is derived from: (1) the 40 percent depreciation in the Dinar since 2008; (2) a low wage environment; and (3) greater access to European markets as the country improves its accession prospects²⁰.

The momentum of export growth is expected to slow in late 2011 as manufacturers deal with debt accrued in the pre-economic crisis years and as Serbia's key export markets implement their own fiscal austerity measures eroding some of Serbia's competitive advantage. Yet, growing consumer spending should compensate for the slowing expansion of exports. Forecasts project an increase in household consumption by as much as 2.6 percent in 2011. The nascent recovery in domestic spending began in late 2010 when December's retail sales grew by 6.7 percent in year-on-year turnover²¹. Much of that growth was fueled by a negotiated agreement with the International Monetary Fund to unfreeze wages and pensions. This trend is projected to continue as industrial production is expected to increase for a second year, as should wages.

A new round of foreign direct investment (FDI), which fell by 50 percent in 2009, is expected in 2011, spurring positive expectations for Serbia's economy²². This, coupled with the country's steady movement toward European Union accession, bodes well for a more sustainable FDI than that which fueled the economy from 2003–2007.

While the macroeconomic environment for businesses in Serbia is clearly improving, lingering dangers include the country's growing inflation, government account balances, private debt and political actions leading into the 2012 elections.

¹⁸ Serbian Chamber of Commerce.

¹⁹ Ministry of Economy and Regional Development: CEFTA – the Central European Free Trade Agreement includes Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo (UNMIK).

²⁰ Business Monitor economic outlook, January 2011.

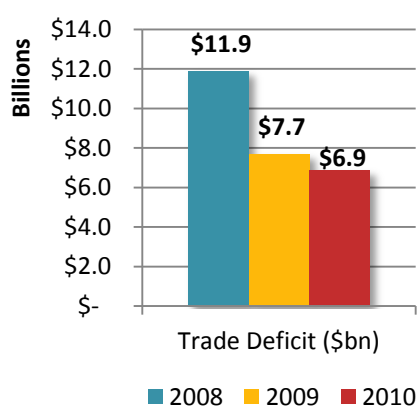
²¹ Business Monitor -- Growth to Continue In 2011; December 22, 2010

²² IMF economic outlook Serbia – Q4 2010.



3-12

Serbia's trade deficit has declined 42% since 2008



Inflation: Consumer prices soared at an annual rate of more than 10 percent in the last quarter of 2010 and show no signs of slowing –the National Bank of Serbia (NBS) has moved aggressively to keep benchmark interest rates and inflation under control²³. Expectations are that annual inflation at the end of 2011 will be 9 percent – twice NBS’ projected rate of 4.5 percent – but more than a percentage point lower than the 10.6 percent inflation of 2010.

Account Balance: Serbia’s budget deficit was nearly 5 percent of GDP in 2010. The fiscal constraints imposed by the IMF as part of the loan negotiated last year coupled with new budgetary management practices required for EU accession will narrow the gap to just 3.9 percent in 2011. Experts believe the gap will be 1.3 percent of GDP by 2015. The recent upgrade of Serbian bonds from BB- to BB by Fitch and S&P has helped Serbia raise money by selling bonds at lower cost.

Business Credit: Manufacturers were pressured by creditors last year to pay down large pre-crisis debts, which reduced capital investments and industrial output. Many companies could not meet debt obligations leading to a record number of business closures and bankruptcies. Serbia’s fledgling small entrepreneurial sector took a major hit: in 2010, 10 percent fewer new sole proprietorships (25,299) were registered than in 2009, while 2 percent more sole proprietors (37,168) closed than in 2009²⁴. Corporations suffered similarly. In 2010, 9,357 limited liability companies went out of business; the annual average of corporate failures since economic reforms were instituted in the early 2000s was just over 3,100.

Forecasters predict debt repayment will slow as the economy improves in 2011, allowing Serbian companies to increase exports and expand domestic markets.

Political Outlook: The Serbian government was right, forecasters say, to initiate pension reforms, manage the budget deficit and introduce an economic strategy that balances foreign direct investment and promotes strong, domestically owned small and medium enterprises. The upcoming 2012 election could diminish some of Serbia’s policy changes as some economic observers fear proceeds expected from selling state assets may be used for populist purposes like increasing wages and pensions or adding to the public workforce. That carries short-term political benefits but long-term debt and budget burdens.

The recovery forecast does not offer the same level of opportunity for all regions of Serbia. South Serbia and Sandzak were economically ruined at the end of the 1990s from international sanctions and political differences between regional leaders and the central government. Reform did not serve these regions much better. South Serbia and Sandzak did not benefit from the FDI raised by selling state-owned companies as they had little of value to sell. During the past decade, unemployment has hit 70 percent in parts of the two regions. South Serbia suffers brain drain and rural depopulation while Sandzak, housing Serbia’s largest youth population, faces massive youth unemployment.²⁵

PPES recognized that this area of Serbia was most in need of developing small and medium-sized enterprise, which also would help relieve the other social concerns and benefit the entire national economy. The Project has worked intensively with 137 businesses in these two regions and these partnerships, combined with the program’s complementary youth entrepreneurship activities, have delivered dividends beyond expectation, as this report will show.

²³ The increase began in May 2010 and added 400 basis points taking the prime lending rate from 8% to 12% in February 2011; forecasters predict that the rate may rise to 16% by the end of 2011.

²⁴ Business registry of Serbia

²⁵ Statistic Bureau of Serbia: 2008-2009

Top Ten Companies

PPES companies fared relatively well during the economic crisis. In a year when corporate closures were three times more than the national average, not a single PPES-supported company, all of them working in the poorest regions of Serbia, had to close its doors. To help explain this fact, the Economic Security team prepared a list of its *Top 10 Best Companies*. By evaluating the two PPES sectors hardest hit by the economic downturn – light manufacturing and apparel – and looking more carefully at the companies that grew and expanded in the face of crisis, the team was able to identify why some companies thrived while other companies struggled.

One finding was that physical size and bottom-line sales alone were not significant. Some of the best companies are smaller and some are larger; some expanded only into new domestic markets while others have experienced amazing expansion into regional and European markets. Some on the list saw three-digit growth and others just double-digit increases. What made them special in the face of a crisis and positioned for even greater opportunity in the recovery is the following:

1. Strong managerial and operational capacity built through the program's management, marketing and sales training and technical assistance.
2. Well-defined marketing strategy that serviced existing customers and markets while reaching targeted new ones – this included investing in the re-branding activity facilitated by PPES.
3. Sales growth through participation in trade fairs and trade mission visits.
4. Investment in operational and production efficiency even as money was tight to increase output while reducing labor costs; much of this was coupled with companies' participation in meeting ISO standards.
5. Expansion of produce or service lines to be more responsive to a more diverse customer base at a time when other businesses were contracting and consumers had less to spend.

These companies were not only profitable despite battling the economic headwinds of 2009/2010, they grew in every aspect of their business because they had strong foundations that could bend with the conditions. The most successful companies in a difficult sector in a difficult time were risk takers guided by well-developed business and marketing plans. They trusted their plans even as other companies retrenched, concerned about investing in capital improvements during a downturn of the magnitude of 2009/2010. These best companies also were among the most active with PPES, taking advantage of every element of the service packages: trainings, technical assistance and trade fairs.

The team's *Top 10* companies and their success can be seen in Table 3-2.

"Top Ten" Companies

Company name	Innovation and Growth			Entrance into new markets			Participation in PPES Activities		
	Sales increase since entering Program	HR	New Products	Do-mestic	International	% of sales from exports	Business Training	Technical Assistance	Trade Fairs
SOUTH SERBIA Companies									
Celiku	29%	5 new jobs	2 new production materials	✓		None	✓	Visual identity ISO standards	Belgrade Construction Fair 2009, 2010 Bujanovac 2008, 2009 and 2010 Trade mission visit to Tirana
Enylux	94%	2 seasonal workers	4 new product lines	✓		43%			
Keramika	34%		new product line and major improvements to one other	✓		12%		Visual identity ISO standards Org. structure	Belgrade Construction Fair 2010
Termomont	150%	11 new jobs	3 new product lines	✓		None		Org. structure	Belgrade Construction Fair 2009 and 2010
Tobler	732%	43 new jobs	30	✓	Austria, B&H, Bulgaria, Croatia, Germany Kosovo, Macedonia, Switzerland	22%	✓	Visual identity ISO standards	Belgrade Construction Fair 2009 and 2010
SANDZAK Companies									
Benneli	18%	5 new jobs	Apparel companies have at least two new product lines each year	✓	Germany	60%	✓	Visual identity ISO standards	Poznan, Dusseldorf
Bros	21%	1 new job		✓	Poland, Russia	40%	✓	Visual identity	Moscow, Dusseldorf, Tirana, Poznan
Brug/Join	7%			✓	Czech	50%	✓	Visual identity ISO standards	Moscow, Tirana
Menus	11%	59 new jobs		✓	Russia, Belarus	40%	✓	Visual identity ISO standards	Moscow, Poznan, Tirana
Stig	228%	25 new jobs		✓	Russia, Belarus	50%	✓	Visual identity ISO standards	Moscow, Poznan, Tirana

STILEX

Blanketing the region with the finest wool

PPES-Supported Company from Prijepolje



Stilex products (more than 75) are sold through its own 11 stores and by wholesalers in Bosnia and Montenegro

Stilex is a textile company located in the small, mountainous community of Prijepolje. Situated closer to the Adriatic Sea than to Belgrade, it has made diversification of product lines, a solid local retail presence and exports to its nearest neighbors the foundation of a strong business that is now 20 years old. Stilex's main products are household linens (pillows, bed covers, quilts, furniture covers and blankets), specialized uniforms (made from fire retardant material) and primary processed wool.

Stilex provides employment to 62 full-time and 15 part-time workers in this small town of 16,000 and buys from over 1700 farmers and wool producers in a typical year. About 40 percent of its total production is sold through its stores, 30 percent is exported, and another 30 percent is sold directly to bulk buyers. Interestingly, primary processing of the highest quality wool is more profitable for Stilex than their line of finished products. USAID's support in helping Stilex procure modern wool cleaning equipment has helped the company increase its primary wool processing capacity, reduce waste and expand markets. Also, USAID assistance in modernizing its visual identity was a key factor in encouraging the company to move its Belgrade store to a bigger, more visible location.

New Markets Achieved. Stilex has regular customers in Germany and Hungary and recently negotiated a contract with a new buyer in Belgium. In addition to its store in Belgrade, it has retail shops throughout Southwest Serbia in Bijelo Polje, Cacak, Novi Pazar, Nova Varos, Pozeza, Priboj, Prijepolje, Sjenica, Uzice and Zlatibor. Its near-term plans are to intensify its presence in the Serbia market and to use successful bidding on contracts for large institutional needs (such as bedding for hospitals) to establish its brand name outside Southwest Serbia.



Stilex's production facility in the mountains of Prijepolje

BROS

Own branded jeans make market inroads

PPES-Supported Company from Novi Pazar



Bros Jeans – made to last

Bros is a jeans manufacturing company based in Novi Pazar that specializes in high-end jeans, pants, jackets, t-shirts and sports-ware. In addition to producing fashion lines for others, the company sells its own branded jeans locally and through three retail stores (two in Belgrade and one in Kragujevac). Though these retail sales represent a very small portion of Bros' total sales (less than 5 percent), Mirsad Hadžimuratović, the company's owner, believes the shops are a worthwhile investment in establishing the Bros brand. However, the company hasn't been going it alone in trying to promote Serbia branded jeans. Through the Novi Pazar-based ASSTEX textile association, it has joined forces with 9 other local fashion companies to form an export-oriented „cluster“ within the association. Mr. Hadžimuratović, who has taken the lead on the Poland market, believes recent progress on diversifying export markets would not have been possible without joint action.

New Markets Achieved. The company was an early adopter of an export-oriented approach and since its founding in 1996 has exported its products to all the former Yugoslav countries (especially Slovenia). Even today, more than 70% of its products are bound for export markets. USAID assistance has been key to helping Bros diversify its export markets by helping it to update its visual identity (such as fair displays, shops and delivery vehicles), conduct better research before approaching a new market and make contacts needed to establish permanent market presence in Poland and Russia. These two new markets are expected to increase Bros' 2011 sales by 20 percent.



Bros employs 52 full-time and 10 part-time employees at its plant in Novi Pazar

AGRO ADRIA

The next generation of meat

PPES-Supported Company from Bujanovac



USAID helped Agro Adria create new, more modern visuals, such as these in its original meat shop.



Multi lingual packaging and marketing materials have helped Agro Adria expand throughout Serbia.

Agro Adria is a second generation family enterprise that produces, processes and sells fresh and processed meat under its own brand name. Originally founded in 1983 as a retail meat shop in the heart of Bujanovac, it was re-registered in 2003 when the business was passed on to the founder's son, Qenan Maliqi, who expanded the business to include meat production (30% of the company's meats are supplied by its own farm), processing (at a production plant outside Bujanovac), and direct sales at green markets and to parts of the country far away from the company's home town. The owner is proud of the company's multi ethnic work force, which, says Mr. Maliqi, has helped them make new connections and start selling into the Belgrade market. An early adopter of international standards (such as ISO and HACCP in 2008), the company plans to pursue HALAL certification later this year to help it increase sales in Sandzak.

New Markets Achieved. Agro Adria's sales have quadrupled over the past four years, fueled by aggressive expansion into new markets, especially, Belgrade, Kragujevac and Novi Pazar. The company began selling into the Novi Pazar market after meeting with potential buyers at the PPES-supported Bujanovac Agriculture fair in 2009. Today the company sends two truck-loads of meat per week to Novi Pazar, which now accounts for 30% of its sales. Although in the long-term the company would like to export its products to nearby Macedonia, administrative barriers to meat exports persist so near-term plans are focused on increasing market presence in and around Novi Pazar. Equally encouraging, the company's success has resulted in the doubling of its workforce over the past three years from 12 employees in 2008 to 24-27 planned for 2011.

MINEX

South Serbia shoes take a big step

PPES-Supported Company from Vranje



Making changes needed to obtain ISO certification have improved productivity and reduced waste.



Minex has been working for foreign partners from Italy since it was founded. One of the company's biggest foreign partners is Italian NeroGiardini.

Minex was founded in 1997 by Zoran Stoilkovic, a former manager in the state-owned footwear company *Kostana*. Mr. Stoilkovic wanted to build a company that fixed all the faults he saw around him in his previous job. He wanted to create a company that treated its employees fairly, gave its employees a voice, was more efficient, less wasteful and produced better quality products. His dreams have been realized through the building of Minex, which makes leather shoe upper pieces for high-end Italian designers. The owner is proud of the fact that in 13 years of operation he has always paid his employees on time, provides incentive pay for exceeding daily production quotas, and, like Toyota, is open to ideas from his employees as to how to make continuous improvements to the production process. USAID assistance has helped Minex make further improvements by helping the company to improve its inventory management, attain ISO certification (expected April 2011) and modernize its marketing material and visual identity.

New Markets Achieved. Though 100 percent of Minex's current production is exported to Italy, the company plans to diversify into the German and Russian markets within the next year and to enter the local Serbian market under its own brand. The company's most significant recent accomplishment, in addition to recovering fully from the 30% drop in revenue during the financial crisis of 2008-2009, is the opening of a second factory a few kilometers up the highway from Vranje in Vladicin Han. This expansion was in part made possible by the winning of a grant from the Ministry of Economy targeted towards increasing employment in "economically devastated" municipalities (municipalities that are 30 percent or more below the national average GDP). The Vladicin Han facility will employ 60 new people, bringing Minex's total workforce to 150 full-time employees.

BUSINESS IMPLEMENTATION



3-13

Business support activity process



Business support activities have adjusted each year to reflect businesses' increased knowledge and operational capacities

The goal of the Economic Security business support activities was to seek out and find the most promising companies located in the most economically underdeveloped areas of the country and help them reach new markets, increase sales and, as a result, create new jobs in their communities.

After 1,000 potential companies from South Serbia and Sandzak were researched and analyzed using business information available through Chambers of Commerce and local and regional economic development agencies, 137 companies were selected over two years to participate in PPES' intensive business support activities. The lists were narrowed by targeting the following sectors: light manufacturing, agro-business, and apparel²⁶.

Candidate companies underwent a thorough review of business plans and operational capacities. Companies chosen for participation met three criteria: (1) consistent sales growth in the prior 18 months; (2) a strong potential for and interest in expansion,

especially in opening new markets and adding new jobs; and (3) were legally registered.

Based on the research, the Economic Security team developed a set of support activities that could be applied to the individual needs of the companies. The overall focus was to move companies through the business basics – appropriate business knowledge and strategic plans in management, marketing and sales – to the technical application of competitive market analysis, competitive branding, modern materials, and preparation for and exposure to export markets. The plan charted a course to lead these companies into new markets, domestic and international, as quickly as possible. At the same time, the approach allowed the flexibility to offer packages of services that helped each company to progress according to its resources and capacity.

Based on the grouped needs of the companies, they were trained together. In addition to being cost effective, this approach allowed business managers to learn from one another as well as from the professional service provider. It also built networks among the companies with their regions, instituting a culture of cooperation among the participants²⁷.

The Economic Security team has been applying this business development approach for three years, continuously refining and building, on lessons learned. In the past six months, some of the team's most senior companies achieved a new level of export success through participation in trade mission visits while newer partners completed a round of management and business

²⁶ Tourism was included in Years 1 and 2 of the program, but the activity was completed early in Year 3.

²⁷ Two prime examples include: *Jeans from Serbia*, a branding effort among a group of seven Sandzak apparel companies. A recent addition to the food sector, Fluidi, was provided reliable information about distributors from one of PPES' oldest, and most successful, food sector partners, Moravka.

planning training and technical assistance. A summary of the reporting period's activities can be seen in Table 3-3.



3-3

Summary of the Activities October 2010 – March 2011

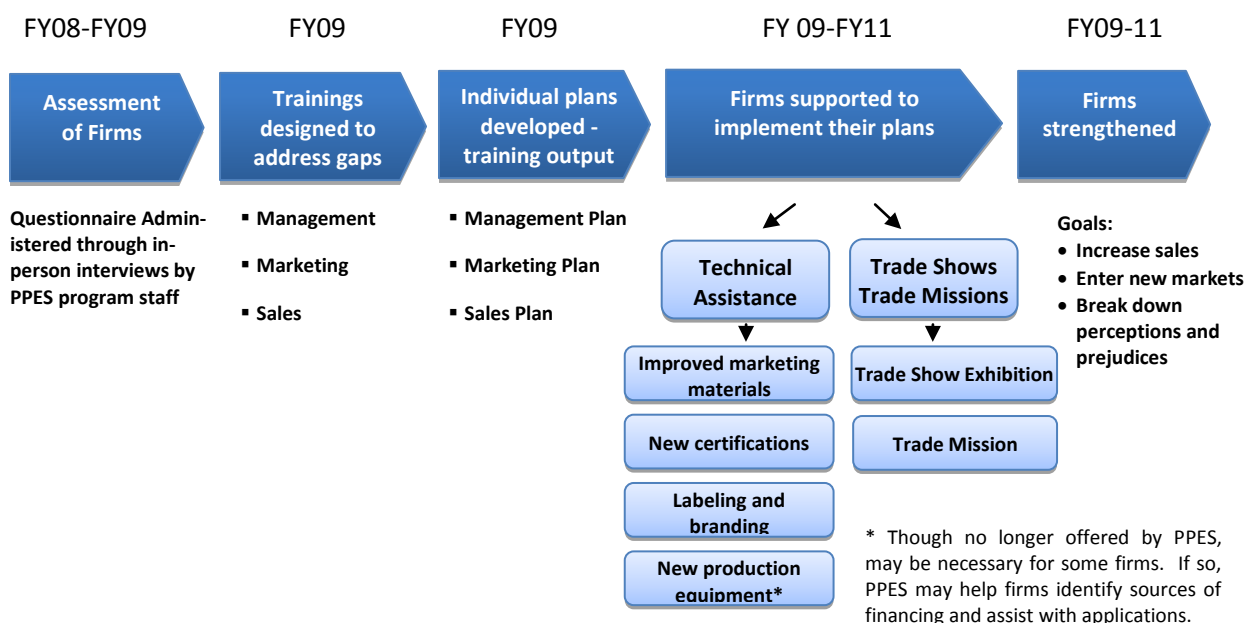
Activity	Region	Status	# of participating companies
Management Training and follow-up one-on-one Coaching	South Serbia Sandzak	Completed	54
ISO standard Certification	South Serbia	Completed Training	10
ISO standard Certification	Sandzak	Training in progress	10
Visual Identity	Sandzak	Finalizing Web designs for five companies; all other work complete. Exhibit of new materials planned for May 2011	22
Trade mission visit and trade fair: Tirana, Albania	South Serbia Sandzak	2010 Tirana Fair 75% growth in total sales over 2009 fair results	9 (3 South Serbia food and 6 Sandzak apparel companies)
Trade fair: Poznan, Poland	Sandzak	Opened Polish market to Serbian companies \$150,000 in new sales Contract with Polish wholesaler to create permanent presence for Serbian companies	10

These highlights illustrate how the Economic Security team packages its services to help companies progress to new operational efficiencies, increase production and open new markets. Figure 3-14 depicts how the team's business assistance strategy was delivered and planned for the evolving needs of companies.



3-14

Business Assistance Package Sequence and Elements



I. TECHNICAL ASSISTANCE: PREPARING TO EXPORT

A. New Marketing Materials

New visual identities and marketing materials are soon to be introduced for 22 Sandzak-based firms. The materials include new branding for packaging, catalogues, brochures and other marketing materials. In addition, companies also have basic business communications redesigned to replicate the new brand including letterhead and business cards. Sixteen companies are updating their websites while five others are building their first. Only small details required for websites and other items unique to eight companies need to be finalized before this activity is complete.

Like their business colleagues in South Serbia, the Sandzak region companies were provided marketing solutions appropriate to their needs by PPES' technical adviser, NS Advertising Agency. PPES plans to introduce the new materials at an exhibition similar to that held in Bujanovac last April. The event is planned for May 2011.

Once introduced, the program expects similar results to those in South Serbia. There, the most significant impact of the new branding solutions was realized by Fontana Dairy from Presevo. Remarkably, the company grew its local sales by 25 percent within two months of introducing new packaging. Until May 2010, the company only sold 5 percent of its feta cheese to customers in and around its headquarters of Presevo (the remainder of its production was exported to Kosovo). "Pcinjska Feta" – the company's best-selling cheese product – re-branded with a more regionally appealing name, immediately generated \$21,000 a month in sales from local customers as well as moving the product into the markets of Vranje and Nis for the first time. Minex, a shoe manufacturer from Vranje, recently said that it attributes a 50 percent increase in sales and a 35 percent increase in new clients to its revamped materials.



3-15

Before / After collage of Sandzak marketing material



Poor- quality marketing materials can be an impediment to sales. Investing in professionally prepared materials provides strong results.

B. ISO Standards

Central to the team's goal of moving assisted companies into export markets is the need to meet internationally recognized business standards for management, operations and manufacturing. In the prior reporting period, 10 South Serbian companies completed ISO training and underwent a mock certification inspection to learn whether any gaps in their processes remained before engaging a certification agency to perform an official inspection. Currently, two of the 10 companies have earned their ISO certification, one is going through the review and the remaining seven are making the changes necessary to earn certification. It is expected that all remaining South Serbian companies will attain certification by the end of 2011. Grants from SIEPA – Serbia Investment and Export Promotion Agency -- are available to help companies pay for certification inspection.

SIEPA's support was an unexpected, yet highly positive, result of PPES' ISO activity. SIEPA, upon hearing of the certification process, decided to make grants available for certification inspection. Unfortunately, their first announcement was made during the height of the vacation season. As a result, only three companies applied. SIEPA advised PPES that it plans a second call to allow the rest of PPES-supported companies to benefit from the government's assistance program.



3-16

PPES ISO certification process



²⁸ Training Topics: QMS; Manual, document and record control; Purchasing and maintenance; Design and development; Transport and product preservation; Production and quality planning; Dealing with non-conforming products; Quality policy and objectives; Corrective and preventive measures; Internal audits; Internal audit training.

²⁹ TA: Gap analysis; identification and document traceability, including company visit.

The Sandzak Economic Development Agency (SEDA) and the 10 textile manufacturers from Sandzak that were selected for the ISO certification activity in the last reporting period also have identified a source of funding to help defray the cost of the official inspection and have expedited their efforts to also take advantage of the government's certification cost-share offer. The national certification agency, National Agency for Redevelopment, of which SEDA is a member, has announced that it will provide 50 percent reimbursement of the certification inspection. The textile companies successfully completed the application process by the March 28 filing deadline with the help of SEDA.³⁰ While the grant provides recipients up to 18 months to earn the certification, most of the textile companies are positioned to attain certification by the end of the summer. The PPES ISO certification assistance process is outlined in Figure 3-16.

The certification process requires cost-sharing on the part of the participating companies in excess of 50 percent. To be selected, each company agreed to make all the changes identified by PPES-service partner, Dekonta, during the training, technical assistance and mock visits in preparation for the actual visit by a certifying body. The final step is for the companies to receive bids from three ISO certifying bodies and then select one to perform the certification. The companies must pay the cost of the certification and/or seek government co-financing in doing so. The average cost of the formal certification visit is \$2,000 and is dependent on many factors including the size and type of company. PPES organized its supported companies to be prepared for certification in groups so one agency can perform multiple audits in one visit, making it possible to negotiate a discounted rate.

³⁰ SEDA has been an important PPES partner and an increasing influence in the region's economic development. Certification of the agency increases its ability to lead economic growth in Sandzak.

II. ESTABLISHING PERMANENT PRESENCE IN NEW MARKETS: TRADE FAIRS AND TRADE MISSIONS

In the program's fifth year, PPES has witnessed its work succeed not only by taking supported companies to new individual levels of performance, but also in the reconstruction of an entire industry. In this reporting period, a model for trade mission visits was perfected. These uniquely designed marketing trips have succeeded in increasing immediate after-fair sales but, more importantly, they are helping companies establish a long-term permanent presence in these new markets before the trade fair takes place.

The team uses regional trade missions to take small groups of companies to meet potential business partners and buyers from the European Union (EU) and CEFTA countries. These visits are built around upcoming trade fairs, which themselves are an efficient opportunity for PPES companies to meet numerous buyers from multiple markets in a single location. The trade mission visits have turned exhibitions at trade fairs from an opportunity for superficial introductions to potential new buyers to meeting sites where concrete negotiations for market partnerships are finalized.

Results from the two trade fairs attended during this period provide a point of comparison for understanding the role of trade mission visits in securing lasting business relationships in new markets. Especially in the case of the Dusseldorf and Poznan Fashion Fairs, which are highly parallel (many of the same companies participated, ASSTEX association took a leading role and the manufacturers exhibited under a common brand – *Jeans from Serbia*) the results achieved through the effective use of pre-fair trade missions are clear.

Trade Mission Visits Increase Success of Trade Fairs

As with trade fairs, supported companies agree to cost sharing, providing the financial resources required to make the visits. PPES supports the activity with:

- (1) **Market research** in collaboration with Chambers of Commerce in countries targeted for trade mission visits;
- (2) **Engagement of specialists** to find the right partners in each targeted market; and
- (3) **Coordination of visits** by representatives of selected companies for the group or one-on-one meetings pre-arranged by PPES' staff and service providers. Based on experience, successful trade visits:
 - Match the right companies to the right market.
 - Include a group of no more than five of the best businesses in the sector (smaller groups yield better results).
 - Thoroughly research the market and pre-arrange many different meetings with the right potential partners.
 - Travel three to five months before the trade fair, which gives time for plenty of follow-up but not too much time for potential partners to lose interest.
 - Gain support of all relevant Serbian entities: such as Embassy, Chamber of Commerce and SIEPA. Present the companies officially to these groups and work with them to leverage their resources.

Impact of advance Trade Mission visits, on subsequent trade and sales results

	2009 Tirana General Fair (No-Pre Fair Visit)	2010 Tirana General Fair (Pre-Fair Trade Mission)
Companies	3	9
Pre-fair marketing	<ul style="list-style-type: none"> PPES vendor contacts potential buyers Press release in Albanian media Preparation and training of exhibitors 	<ul style="list-style-type: none"> Two trade mission visits Targeted Meetings with 20 buyers Pre-arranged visits to PPES-assisted companies' booths
Three-months after fair sales	\$90,000	\$280,000
Additional business	New orders \$70,000 in sales after first three months of the fair	Ongoing negotiations
Total sales (6 months)	\$160,000	Six month sales figures not available
Follow-up negotiations		ASSTEX is negotiating for a permanent showroom in Tirana for its textile members. Negotiations between Albanian partners and long-term contracts with HIV, Nutriko and Celiku underway

	2010 Dusseldorf Fashion Fair (No Pre-Fair Visits)	2011 Poznan Fashion Fair (Pre-Fair Trade Mission)
Companies	4	7
Pre-fair marketing	<p>THREE WEEKS BEFORE THE FAIR</p> <ul style="list-style-type: none"> Created <i>Jeans from Serbia</i> brand Created special marketing materials distributed through Chamber of Commerce Chamber of Commerce, SIEPA and others send email to German contacts Preparation and training of exhibitors 	<p>EIGHT MONTHS IN ADVANCE</p> <ul style="list-style-type: none"> Invited representatives from Polish embassy in Serbia to visit Serbian apparel manufacturers Market research and analysis. Organized trade mission visit to Poland (held a series of 4 meetings and major presentations to Serbian Chamber of Commerce and Embassy officials) Open negotiations with Polish wholesaler
Immediate after-Fair sales	<p>\$6,000</p> <p>\$1,500 average per company</p>	<p>\$150,000</p> <p>\$21,450 average per company</p>
Total sales (12 months)	<p>\$110,000</p> <p>\$27,500 average per company</p>	Twelve month sales figures not available
Follow-up negotiations	During the fair, companies meet with wholesalers and visited the design center. Conversations were continued after the Fair, but new orders remain ad hoc.	<ul style="list-style-type: none"> Signed contract with Polish wholesaler during the fair Opening permanent showroom

Clearly, the advance market research, personal visits and planning for the fairs make them far more successful. Trade missions have proven to be effective tools in helping companies attending trade fairs establish lasting presence in a new country, rather than making a series of one-off sales.

Trade Fairs

The trade fair activity was initiated by the team in Year 2 of the program. It was an opportunity for companies to test in a business-to-business setting whether the marketing plans developed through PPES' training and technical assistance were viable. Trade fair results have been exceptionally positive. To date, PPES-supported companies attending trade fairs have made sales in excess of \$11 million (details per fair are shown in Table 3-5).

PPES supported company attendance at three trade fairs during the current reporting period: the Belgrade Furniture Fair (November 2010), the Tirana General Fair in Albania (November 2010) and the Poznan International Fashion Fair in Poland (March 2011). Twenty-four companies participated in these fairs combined.

Belgrade Furniture Fair

Eight supported companies attended the Belgrade Furniture Fair: Inko Home Art, Numanovic, ELAN-MMS Ltd and Tahirovic from Sandzak and Trajovic, Ltd., Pegasus, SIK, Ltd, and HIV from South Serbia. A total of \$670,000 in new sales was negotiated in the first three months following the event. In addition, furniture manufacturer Pegasus used the event to open a new show room in Belgrade hosting a day-long event in the city's most up-scale shopping mall, USCE, to display its designs. The company has Belgrade-based customers, but the permanent showroom in the city makes this South Serbian company far more competitive in the country's largest retail market.



Serbian furniture manufacturers match PPES expertise with prime quality for immediate business results. Belgrade Furniture Fair quality diploma agrees

Tirana General Fair, Albania

The Tirana Fair was attended by nine participating companies: food companies Fluidi, Anitex and Moravka and apparel manufacturers Bros, Brug, Maxers, Big Boys, Stig and Classics. Companies generated \$280,000 in total sales in the first three months after the Fair. The Economic Security team identified Albania as an important market early on. Serbian products are well-respected and well-recognized there.

Food sector partners Fluidi and Moravka have gained a permanent foothold in the Albanian market and ASSTEX, the Sandzak Textile Association, is in negotiations for a permanent distribution facility. Furthermore, South Serbian light



Models at Tirana Trade Fair: Permanent presence in Albania is one of the top business priorities for ASSTEX

"Trade Mission secured new partners in foreign countries who assume the responsibility to attract potential buyers to visit the fair exhibitors, which can affect the positive results in sales from the fair." Nihat Ugljanin, Brug Company owner

manufacturer HIV is in discussions with a large Albanian shoe manufacturer to become a major supplier. The demonstrated success of PPES-supported businesses from Sandzak and South Serbia in the Albanian market helped authorities of both countries recognize the importance of making commerce more accessible – one side-effect of this was that on December 15, 2010, new rules went into effect allowing citizens to travel between the two countries without visas.

Poznan Fashion Fair, Poland

The major contract signed with a Polish distribution partner creating a permanent presence in the Polish market coupled with \$150,000 worth of contracts signed are milestones in the evolution of PPES' trade fair strategy.

Seven supported apparel manufacturers attended the Poznan Fashion Fair held March 1-4, 2011, but the foundation for its success was set in motion more than a year ago. One of PPES' challenges to helping companies enter new markets through trade fairs is to make each one more successful than the next. In the past 12 months, apparel manufacturers from Sandzak have recorded nearly \$260,000 in new sales; the lessons-learned from the Moscow Fair, though, informed PPES apparel manufacturers that in-country presence was a factor in getting a permanent foothold in this major market.³¹

In February 2010, PPES worked on introducing an innovative branding concept for Serbian denim and used databases of the Serbian Embassy, SIEPA and others to pre-promote the fair. Much interest was generated and PPES-supported companies had a productive week of meetings with wholesalers and retailers, and with follow-up more than \$100,000 in new sales were generated from that fair – far less than had been anticipated. One lesson-learned was that German buyers wanted to do business with ISO certified companies (which then became a priority for the Sandzak fashion firms).

PPES and its textile association partner, ASSTEX, learned from 2010 and changed tactics as it approached Poland's Poznan Fashion Fair in 2011. Reaching out to the Polish Embassy in Serbia, a series of discussions and a tour of Sandzak manufacturers followed during the spring and summer of 2010 (well before the fair).

PPES led a trade mission visit to Poland in October, taking select ASSTEX members to Warsaw to meet with wholesalers and retailers as well as to make presentations at the Serbian Embassy there. In March, when the seven companies traveled to the Poznan Fair, a contract with a Polish distribution partner, Prelic, was ready to be signed and \$150,000 in new sales was the immediate result. The 8,000 pieces ordered were shipped April 10 and a permanent showroom for Serbian apparel manufacturers will soon follow.

"Just 10 days after the trade fair in Poznan started the first shipment of the collection for spring-summer. I think we have made at the fair a good ground for further cooperation, because there are many Polish firms that are willing to have our products on their shelves", said Tigrin Kacar, owner of the Stig Company

Like the Tirana Fair, the outcome of the Poznan Fair was planned and managed; the work going forward is to expand and grow on this beginning. Further, it sets the direction for ASSTEX's market entry strategy as negotiations are underway for permanent locations in Moscow and Albania.



Poznan International Trade Fair is one of the largest trade fairs in Poland and a perfect opportunity to enter the Polish market



ASSTEX stand at Poznan Fashion Fair attracted lots of interest

³¹ Total actual sales from fairs in Dusseldorf 2010 and Poznan 2011.

The cumulative success of PPES' companies at trade fairs can be seen in Table 3-5. With an investment of just over \$400,000, the program has helped companies from South Serbia and Sandzak realize more than \$11 million in new sales (for a return on investment of better than 29 to 1).



3-5

Cumulative Sales for PPES-Supported Trade Fair Attendance

	#	Trade Fairs	# of firms	Anticipated sales at Fair	ACTUAL SALES 3 months	ACTUAL SALES 6 months ³²	PPES assistance	ROI ³³
FY 2008	1	48th International Fashion Fair in Belgrade (Oct 2007)	21	\$272,800	\$170,000	\$384,700	\$9,880	39 to 1
	2	Business Base 2007 (Nov 2007)	39	\$277,000	\$310,000	\$502,700	\$12,748	39 to 1
	3	5th International Fashion and Equipment Fair Novi Pazar (Mar)	40	\$338,600	\$280,500	\$546,100	\$20,307	27 to 1
	4	Bujanovac Agricultural Fair (May)	41	\$29,140	\$110,000	\$339,000	\$23,222	15 to 1
	5	Novi Sad Agricultural Fair (May)	6	\$232,500	\$210,000	\$855,840	\$20,646	41 to 1
	6	Pristina Agricultural Fair (Jun)	7	\$145,000	\$120,000	\$306,000	\$5,000	61 to 1
	7	The 84th International Zagreb Autumn Fair (Sep)	8	\$81,300	\$396,505	\$640,270	\$19,800	32 to 1
TOTAL FY 2008				\$1,376,340	\$1,597,005	\$3,574,610	\$111,603	32 to 1
FY 09	8	Construction Fair Belgrade (Apr)	11	\$98,724	\$2,495,230	\$3,686,985	\$25,464	145to1
	9	Bujanovac Fair(Apr)	57	\$24,537	\$110,256	\$177,650	\$18,500	10 to 1
	10	Moscow Fashion Fair (Sep)	5	\$650,000	\$54,525	\$357,900	\$57,380	06 to 1
TOTAL FY 2009				\$773,261	\$2,660,011	\$4,222,535	\$101,344	39 to 1
FY 2010	11	Pristina Fair (Oct 2009)	6	\$250,000	\$645,000	\$1,005,000	\$25,820	39 to 1
	12	Skopje Fair (Nov 2009)	7	\$170,000	\$455,000	\$610,000	\$16,930	36 to 1
	13	Tirana Fair (Nov 2009)	3	\$50,000	\$90,000	\$160,000	\$5,000	32 to 1
	14	Düsseldorf Fashion Fair CPD (Feb)	4	\$432,000	\$6,000	\$110,000	\$30,998	04 to 1
	15	Belgrade Construction Fair (Apr)	8	\$203,000	\$317,000	\$317,000	\$23,637	13 to 1
	16	Bujanovac Agriculture Fair (May)	9	\$87,000	\$264,800	\$580,500	\$7,510	77 to 1
TOTAL FY 2010				\$ 1,192,000	\$1,777,800	\$2,782,500	\$109,895	25 to 1
FY 2011	17	Belgrade Furniture Fair (Nov 2010)	8	\$165,000	\$670,000	\$670,000 +	\$31,802	21 to 1
	18	Tirana Fair (Nov 2010)	9	\$779,800	\$280,000	\$280,000 +	\$28,229	10 to 1
	19	Poznan Fashion Fair, Poland, (Mar)	7	\$150,000	\$150,000+	\$150,000+	\$21,000	N/A
TOTAL FY 2011				\$1,094,800	\$1,100,000+	\$1,100,000+	\$81,031	12 to 1
GRAND TOTAL				\$4,436,401	\$7,134,816+	\$11,742,645+	\$403,873	29 to 1

³² When six-month sales figure is not yet available, we estimate the six-month sales being at least equal to three-month sales; for Moscow (10) and Dusseldorf (14) Fairs instead of 6-month, 12-month sales figure were available; for Poznan (19) anticipated trade sales were immediately realized, we estimate three-month sales being at least equal to anticipated trade sales.

³³ Return on Investment is calculated only on the final six-month actual sales figure (which reflects cumulative sales).

Keys to Trade Fair Results

1. Careful Market Selection: identification of accessible markets receptive to Serbian products.

1. **Relationship Building:** laying the foundation for fair success through market research and building of relationships (e.g., with local wholesalers) *before* the fair.
2. **Product Differentiation:** marketing clearly differentiated Serbian products on price, quality and/or service (such as delivery time).
3. **Cost Share:** companies invest in their participation sharing 33 percent of the cost or more, depending on the fair, as well as a committing to attending pre-fair marketing and customer communications training and trade missions.

This final point illustrates both a key to success and an obstacle to participation. The financial resources needed to attend trade fairs most likely are less a barrier than the time commitment needed by senior owners/managers. Two other important obstacles to fair participation are lack of capacity to expand rapidly to accommodate a large new order and lack of resources to overcome the red tape and other challenges of exporting. PPES' customized approach to business support has been particularly helpful in this latter point. For example, the experience in Germany made it clear that buyers demanded manufacturers with ISO certification – (which Sandzak apparel manufacturers have since begun training for). In Poland and Russia, buyers want to inspect designs and quality without traveling to Serbia, so PPES is working with its companies and facilitating discussion with government agencies to help support and finance showrooms these key markets.

Fair selection criteria

1. Location -- EU, CEFTA and regional markets with good bilateral agreements;
2. Return on Investment – fairs offering greatest return on PPES investment;
3. Type of fair – matching PPES target sectors to industry-specific fairs;
4. Size of market – markets that match production capacity of PPES companies;
5. Company logistics -- Ability of firms to make products for and manage export markets once opened.

ASSTEX: An Update

ASSTEX, the Sandzak Textile Association, continues to demonstrate its emerging role as a true business leader and apparel industry advocate. Through PPES, ASSTEX initiated negotiations with partners in Albania and Russia to open permanent showrooms in those countries and closed a deal to open a showroom in Poland. (ASSTEX has learned that buyers prefer access to manufacturers' seasonal apparel lines closer to home, preferring not to have to travel to inspect the new lines.) If all three are opened, these showrooms would represent a major step forward in securing ongoing access to major export markets for the association's members.

Perhaps the most significant accomplishment was a December 16 meeting with Mladjan Dinkic, former Serbian Deputy Prime Minister and Minister of Economy and Regional Development. It was a direct result of a PPES-organized visit to Sandzak by members of the *Friends of Sandzak*, an informal association of international ambassadors assigned to Serbia who work proactively with government and business to strengthen Serbia's economy³⁴. During that November trip, the ambassadors and Minister Dinkic met with six Sandzak companies, including three ASSTEX members. After hearing the daily challenges faced by the region's businesses, the Minister agreed to the December face-to-face meeting.



Minister Dinkic and US Ambassador Warlick - PPES gets Serbian Ministry of Economy and Regional Development on board to secure Government support for Sandzak Textile Industry

ASSTEX representatives arrived with a list of three objectives: financial support to open a showroom in Moscow, financial support for the design, technology and equipment needed to comply with environmental standards and tax breaks or incentives to hire more employees. A summary of the Ministry's response to each request is provided in Table 3-6.

³⁴The ambassadors represent the countries of the United States, Japan, Germany, Austria, Czech Republic, Denmark, Norway, Turkey, Sweden, and OSCE.



3-6

Requests and Response – ASSTEX and the Government of Serbia

ASSTEX REQUEST	GOS RESPONSE
Support in opening new markets	Request accommodated
Support to enter new markets is vital to success of the textile industry. Export incentives to improve sales and enter new markets currently available to companies with over 50 employees should be expanded to include smaller companies.	To support ASSTEX entry into the Russian market, the Ministry agreed to create a special \$280,000 fund managed by the Serbia Investments and Export Promotion Agency (SIEPA).
Financial Assistance for meeting environmental standards	Request accommodated
State support for meeting environmental standards for waste water and chemical disposal ³⁵ .	The Ministry offered a \$2.8 million support package to be made available over the next two years.
Tax Relief	Request partially accommodated
Tax relief on salaries to allow the industry to employ more people.	Ministry will increase employment incentives for new jobs available through the National Employment Agency; however, because of the current budget situation, the Ministry stated that it is not possible to reduce taxes on salaries at this time.

Since December, ASSTEX has followed up to put the government's offer into action. Specifically, in the past few weeks, it has:

1. Identified a location for a showroom and wholesale depot in advance of the September CPM Moscow Fair.
2. Continued discussions with SIEPA to agree on the next steps to access the financial resources committed to in the December meeting.
3. Negotiated with vendors that plan to bid on the wastewater treatment project for ASSTEX members working to bring plants up to European Union environmental standards.

The significance of the December meeting between ASSTEX and the Minister should not be underestimated: just two years ago, government officials met with apparel industry representatives and announced that the apparel industry was not a priority in the government's economic strategy. Two years later, apparel manufacturers from the Southwest have raised their profile significantly and with joint action through ASSTEX have become a key part of the Government's new export-driven economic strategy.

³⁵ The stone washing of jeans uses heavy chemicals that end up in the Raska river. ASSTEX members are working as a single unit to negotiate with vendors for better prices on technical services and equipment so companies can implement technology to purify their wastewater before effluent is released into the river.

Berat Kurtanović

Owner of Benneli Company, Novi Pazar

PROFILE

Berat Kurtanovic started out like everyone else in his family, expecting he would work for the state upon graduation. But while Kurtanovic studied at the Economic Faculty in Belgrade, his father decided to open a private business and Berat left school to help. That home-based business has since been transformed into a thriving international jeans company run by Kurtanovic and his two brothers. His father hoped to capitalize on Novi Pazar's sterling reputation in the fashion jeans industry with its quality denim and sought-after urban styling. While every family member worked hard -- from cleaning threads, to transport, unloading and sales -- they lacked formal marketing and management training.

The Benneli Company gained that training and technical assistance by joining the PPES program in 2009, where it has taken advantage of marketing, management and sales training and the development of formal business plans. The company advanced its entry into new markets by joining the newly formed textile association, ASSTEX, which helps Sandzak textile companies over-come obstacles to business success.

Benneli's numbers speak for themselves. Benneli's sales grew 18 percent last year, a very difficult year for fashion producers in general during which many of Benneli's competitors saw sales decline. Before joining PPES, Benneli had 53 employees; today, it employs 70. One of the biggest impacts resulted from participation in domestic and international trade fairs, enabling it to enter new export markets like Germany, Poland and Albania. Today, 60 percent of Benneli's income comes from exports.

In February 2010, Benneli was one of four textile producers introducing the collective brand Jeans from Serbia at the international trade fair in Düsseldorf, netting the company \$40,000 and new regular customers. It participated in the first Serbian trade mission to Poland in 20 years. It not only anticipates \$20,000 in after-fair sales from Poland's Poznan International Trade Fair, but also a permanent showroom where Polish retailers and wholesalers can see Serbian product lines without having to travel to Serbia.

Through PPES business support, Benneli has improved marketing materials, revised its organizational structure and is revamping its plant as it prepares to meet ISO standards. Kurtanovic said the PPES program "truly recognizes the needs of the Sandzak region and helps further develop the basic driving force in the region, the textile industry."



Berat Kurtanovic

"By developing your skills and your company, we should develop the community in which we operate. ... If we succeed in laying a good foundation for all ASSTEX members, we will be able to support the economic development of the whole region."



The Benneli brand can now be found in three new markets: Germany, Poland and Albania.

Zoran Stoilković

Owner of Minex Company, Vranje

PROFILE

Zoran Stoilkovic spent 20 years working at the Kostana footwear factory, once one of the biggest state firms with about 3,500 employees. Zoran recognized that in the 1990s he would feel more secure in private business. He took advantage of changing laws that permitted ownership of private companies and became one of Serbia's early entrepreneurs. Stoilkovic opened his Minex footwear factory in 1998 and 14 year later it is still going strong.

Stoilkovic became known as the "footwear pro" at the Kostana factory. His management experience -- production manager, director of production, technical director and deputy general manager -- helped him gain insight into all phases of the production process. More importantly, he observed all the mistakes made and promised not to repeat them in his own company.

By focusing on those very areas and joining the PPES program in 2009, Stoilkovic was able to grow his company from 20 to 150 employees and open a second facility in Vladicin Han.

Stoilkovic believes that PPES' business support trainings have contributed to his company's success in many ways. PPES helped the company establish a visual identity with a new, easily recognizable logo. Stoilkovic believes the new image helped to contribute to an estimated 50 percent increase in sales and a 35 percent increase in clients. He also pointed out that as a result of his participation in the ISO certification activity "his factory is much better organized as inefficient areas have been identified and eliminated." He hopes to attain ISO certification by the end of April.

Trade fairs are another activity that is helping Stoilkovic strengthen his company. Minex makes all of its income from exports and, at present, he is dependent entirely on a small group of customers in Italy. Through his participation in trade fairs, Stoilkovic hopes to diversify his customer base through a partnership with a Russian manufacturer.

In the future, he hopes to continue participating at trade fairs and use the opportunity to diversify his business. He also would like to start producing finished products under his own brand, "I don't want to focus on servicing others in the supply chain anymore. I would like to create my own brand for men's footwear and then maybe expand to the German and Russian markets."



Zoran Stoilkovic

"It was the lessons learned from the state firm that made my new business successful. Problems such as weak organizational structure, negative employee attitude toward the job and the inability to produce sales and profit data [eventually] led to the failure of Kostana."



Since starting to work with PPES, Stoilkovic has added workers, learned to monitor market trends and identify new partners for future cooperation.

ASSTEX Textile Association

Destination Poland

Trade fairs can be boisterous and confusing affairs, with sellers stalking potential buyers up and down the aisles of an exhibition hall with no guarantees for success.

However, seven Sandzak-based textile and apparel companies recently came to the Poznan International Trade Fair, one of the largest shows in Poland, knowing that they were about to break into the European Union's ninth-largest market. They brought with them an unsigned contract with Prelic, a major Polish wholesaler, and their gateway to this 38-million-consumers-strong market. Once signed at the fair, the contract immediately allowed the Sandzak companies to sell 3,000 apparel items, netting direct sales of \$150,000.

This breakthrough has value beyond the increased profits it is producing. It represents another stride forward in the revitalization of Sandzak's apparel industry – an industry that was once the cornerstone of economic security for communities across the Sandzak region and the source of employment for thousands of its residents.

It illustrates the success that can come when hard work is combined with clear vision, good preparation, and a focused business strategy.

The seven companies that attended the Poznan Fair actively participate in the Economic Security Team's business support activities, an effort that has seen 137 companies reap benefits from a multi-layer, multi-year approach to business strengthening. In just three years, the growing family of companies from food, light manufacturing, apparel and tourism have closed deals that earned just over \$11 million in new sales while attending trade fairs – resources that help rebuild the economies of two of the most impoverished regions in Serbia – Sandzak and South Serbia. Trade fairs have played an important role throughout the life of the PPES.

The Role of Trade Fairs

PPES initially encouraged trade fair participation among its supported businesses with just logistical



The extraordinary results of PPES-supported companies in Poland took months to plan and implement. From invitations to Polish Embassy officials in Serbia to tour apparel plants to last fall's trade mission visit to preparing a permanent showroom – success was a planned result.

and financial support for trade fair attendance in Serbia, the region and other parts of Europe. The experience of the first year directed the Economic Security team to help companies target markets in Bosnia and Herzegovina, Albania, Russia, and Belarus in addition to a few important domestic fairs. Later, PPES expanded its support package to include other elements essential to increased sales at trade fairs – negotiation and presentation skills, improved marketing and branding materials and help in earning internationally recognized certification for production and operational quality. All of the companies exhibiting at Poznan attended these trainings.

"PPES business support activities helped us to restructure our company and overcome our organizational shortcomings for immediate business results. Here is one good example." said Berat Kurtanovic owner of Benneli Jeans, one of the companies that returned from Poland with new customers for its family business. "I see a clear link between our sales growth and the database of business partners we developed after one of the PPES trainings."

PPES also strongly encouraged and supported the creation of the first regional textile trade association in Serbia – ASSTEX. This initiative offered an organizational model that has subsequently been emulated with the creation of additional regional

textile clusters. Today, after two years, the ASSTEX cluster has 10 members, and, as a textile association, speaks for 120 textile companies from Sandzak. It helps carry its members' message to top government officials and prepare to meet production quality and logistic standards.

The Role of the Textile Association of Sandzak – ASSTEX

The emerging presence of ASSTEX as a respected advocate for the textile industry is a key building block in the infrastructure necessary for apparel manufacturers in Sandzak to take on the bigger, more demanding markets like Germany or Poland. With the introduction of trade mission visits to the PPES business support package, ASSTEX effectively used these prearranged visits that give companies a chance to meet retail and wholesale buyers in advance of major Trade Fairs and build relationships that lead to sales. ASSTEX became the first to benefit from these trade mission visits with the PPES mission to Albania in advance of the 2010 Tirana Panair General Fair. The early introduction to buyers helped PPES companies increase their sales at the fair by 70 percent compared to 2009³⁶. It was this combination of trade fair and trade mission visits that helped open German, Albanian, Bosnian, Russian, Belarusian and Czech markets to Serbian companies.

"We had previous business connection with partners from Slovenia, but we couldn't move from there on our own. Today, as a result of our participation in PPES' Economic Security program, we are looking at lucrative export deals to Germany, Poland, Russia and Belarus. We could never access these markets on our own," said Mirsad Hadzimuratovic, owner of Bross Jeans, an ASSTEX member company.

PPES and ASSTEX's trade mission to Poland was the first organized Serbian trade mission to this country in 20 years. It was during this visit that ASSTEX established contacts with its current strategic partner and now exclusive distributor in Poland – Prelic Company.

PPES business support experts understand the link between strong relationships and strong sales and

³⁶ Companies attending the Panair Trade Fair in 2009 recorded sales in the amount of \$90,000; in 2010 companies attending the Panair Fair have sold \$280,000 in the first three months following the fair.



Thorough market research and relationship building in advance of the fair meant PPES companies were not prospecting when they went to Poznan; they were there to close deals.

left little to chance. PPES experts organized leaders from Serbia, and representatives of regional and EU countries to discuss the future of Serbia's textile industry, hoping to raise the profile of its supported cluster and link it with economic policy decision makers and other stakeholders. As a result, the contacts with Polish economic diplomats were strengthened and a delegation toured the production sites of ASSTEX companies. These early contacts provided initial links with the Polish business community and proved beneficial in the preparation for a successful trade mission visit and, in the end, sales in the Polish market.

During April 2011, ASSTEX companies will prepare themselves for the biggest challenge and the biggest opportunity yet – the creation of a permanent foothold in Russia. PPES' hosting of a Round Table in Novi Pazar for international and national officials to meet with local business owners brought the Serbian government on board with apparel manufacturers' goals to expand access to the Russian market. Today, ASSTEX is negotiating a \$200,000 support package from the Government to secure a distribution center for ASSTEX products in Moscow.

"The Serbian textile industry is rising and becoming more and more proactive, taking our future in our hands," said Tigrin Kacar from ASSTEX. *"We have learned so much that nothing seems impossible any more. It's all now just a matter of time."*

FINDING NEW SOLUTIONS FOR YOUTH UNEMPLOYMENT

ECONOMIC SECURITY: IMPACT ON YOUTH

The Economic Security team works to help Serbia's youth become more influential in the economy whether by being more competitive for jobs or prepared to start a business. The approach combines direct support of individuals to build entrepreneurial and leadership skills with strengthening the institutions that serve and support young people, especially local Youth Offices. The team's activities extend to building networks across local, national and international stakeholders to focus all possible resources on the issue of youth unemployment.

The goal is to tackle the true causes of unemployment rather than employ one-off activities that temporarily address the symptoms. Work in this area is a long-term investment; thus, the final impact of PPES' work will not be fully recognized until well after the program's close. However, a recently completed survey makes clear that the seeds for permanent change have been planted and already are bearing fruit.

Institutional Strengthening and Capacity Building: Youth Offices and Youth Coordinators

Through the support of PPES, Municipal Youth Offices have grown from a concession by senior leaders to local youth when they first started popping up in 2005 to formal offices supported by the Ministry of Youth and Sport. Today, they are an integral part of local government – sustainably funded and responsible for coordinating local public policy related to youth.

Working closely with the Ministry of Youth and Sport (MYS), PPES has aligned its Youth Office support activities to the National Strategy for Youth, focusing on one of the strategy's key objectives – reducing youth unemployment. Since 2008, PPES has worked with 98 of the country's 114 youth offices. The program has conducted training of the Youth Office Coordinators, introduced entrepreneurship training for 1,550 individuals in 87 municipalities, and introduced a Youth Entrepreneurship Action Plan (YEAP) process in 23 municipalities to create a community-wide strategy to reduce youth unemployment. It also facilitated the partnership between the MYS and the global workforce development company Manpower, Inc., which led to the opening of Career Guidance Service Centers in three Youth Offices³⁷.

The cost to Serbia's economy of its youth unemployment rate, which is 48.5 percent among 15- to 24-year-olds, is high. It is more than double the European average for 15- to 24-year-olds of 20.4 percent. In fact, in some PPES municipalities that are designated by the government as economically "devastated," overall unemployment is double the national unemployment rate, which significantly lowers the already-poor chances for youth to obtain employment. This results in high youth migration from underdeveloped and rural areas to the capital and other regional centers, which further devastates these regions. Youth entrepreneurship is one way to address the issue of limited opportunity.

When it comes to entrepreneurial activity, Serbia's youth are equal to their peers in the EU – with the total number of business owners between 15-24 years old reaching 9.6% of total business owners. Where Serbian businesses are falling behind its European counterparts is investment in business. On average and measured per employee, SMEs in Serbia have invested only 39% of what SMEs in EU countries have invested. This is why PPES is helping youth and businesses to access funds in order to obtain favorable financial support, increase the overall level of investment in small businesses and improve business performance and the outlook for employment.

³⁷ Belgrade-Palilula, Krusevac and Zrenjanin.

To understand better the impact of PPES' work with the Youth Offices over the past three years, the Economic Security team conducted a survey of 98 Youth Offices.³⁸

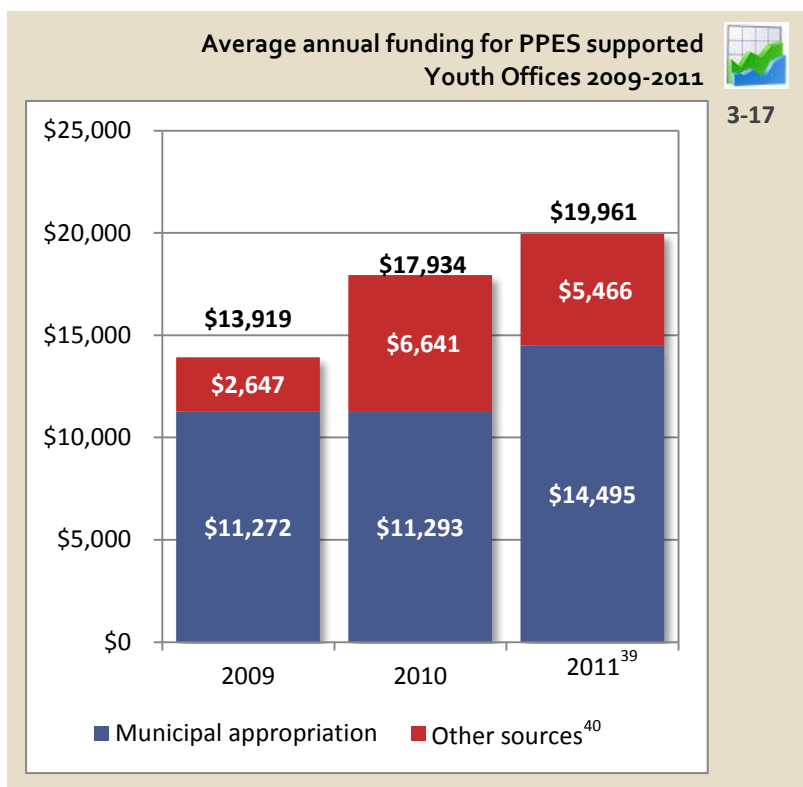
Growth in Budgets: One way for the team to test the effectiveness of its work with Youth Offices (YO) is to look at the level of funding for the Offices. This measure also is an indicator of sustainability. As can be seen in Figure 3-17, the majority of YOs budgets come from their municipalities. Even as local governments were forced to reduce spending in FY 2010 due to the economic crisis, the overall funding for youth offices has grown by over 40 percent between 2009 and 2011.

Youth Office Coordinators have successfully supplemented their municipal allocation through successful applications for grants, domestic and international partnerships and local NGOs. With these additional resources comes the benefit of adding new activities and exposing municipal youth to a broad base of supportive partners.

Leading Strategy for Youth Employment: Overwhelmingly, survey respondents pointed to youth unemployment as the most important issue facing young people (77 percent of respondents). Encouragingly, 89 percent of PPES partner communities responding to the survey said their community has adopted a Local Action Plan for Youth reflecting the broad range of needs of the communities' youth. Too often, a Local Action Plan for Youth contains good ideas that are unfunded or have no accompanying implementation strategy. However, most communities with such plans include activities to address entrepreneurship and job-readiness and they have asked the Youth Offices to lead them. These activities include:

- Creating career guidance centers
- Establishing entrepreneurship resource centers
- Conducting entrepreneurship training
- Managing summer internship programs and
- Organizing job and entrepreneurship fairs

All of the above are activities that PPES has introduced over the past three years that are being replicated throughout Serbia. Moreover, for the 15 Youth Offices that have adopted a YEAP in



³⁸ A total of 81 out of 98 Youth Offices responded to the survey. Among 1,033 past participants of the entrepreneurship training, 395 responded to their survey.

³⁹ 2011 figures are year to date. Final 2011 figures are expected to be higher as YO's successfully attract new funds throughout the year.

⁴⁰ Ministry grants, private donations, international donors.

addition to the Local Action Plan for Youth additional, concrete actions are underway to address youth unemployment⁴¹.

Creating Leadership Stability and Increasing Participation: Training has been provided for 98 Youth Offices in the areas of communications, leadership, marketing and the basics of entrepreneurship. The survey results suggest that capacity building not only allowed Youth Office Coordinators to take on more responsibility but also to build their offices in a variety of important ways.



3-7

Building Youth Office Capacity Facts and Figures

Building Youth Office Capacity	Growth measures
Professional continuity of Youth Office Coordinators	77% of the coordinators have at least 3 years of service.
Building professional staff	37% of Youth Offices responding to the 2011 survey said they had at least one paid staff person – some have as many as three and one Office has four.
Mobilizing community youth	20% is the average growth in volunteers over the past 3 years – among respondents, the average office had 85 volunteers in 2009; the average grew to 104 in the first quarter of 2011.
Replicating models that work	2,460 youth have participated in PPES financed activities through Youth Offices – survey respondents say that follow-on and replicated activities based on PPES models have touched as many 6,050 community youth.

Youth Entrepreneurship Action Plans – Gaining new stakeholders, finding new beneficiaries: PPES selected 23 of its best Youth Offices to undertake the YEAP activity. A unique aspect of the activity is how the process expands a municipality's network of local, national and international stakeholders while the implementation links innovative solutions to reduce youth employment to a broader network of youth – many of whom are underserved by other programs.

Many entrepreneurship activities coming out of the plans seek to target information and education for self-employment. The activities also have focused on another of Serbia's problems: young people abandoning rural areas in search of opportunities in urban areas inside and outside the country. Municipalities are initiating activities that include opportunities for rural youth to stay home and create new business ventures in a range of agriculture- oriented areas.

In total, 12 municipalities that have reached the YEAP implementation stage provided direct services to 910 youth. More importantly, the career guidance services, data bases and entrepreneurship information centers, kiosks, and websites established are ongoing activities that are expected to be used by hundreds of youth each year. In the YEAP process, Youth Offices opened permanent dialogue between stakeholders and youth; each YO successfully recruited at least one new business, educational, government or new donor to participate with community youth. At the same time, YEAP participants built new relationships among one another and with the community's many stakeholders.

⁴¹ PPES is working with a total of 23 Youth Offices on the YEAP activity.

Encouraging Youth Entrepreneurship – Business Training and Financial Information

Since 2009, PPES has conducted 153 entrepreneurship training sessions in 82 municipalities across the country. Over three years, a total of 1,550 young people interested in starting a new business or strengthening an existing one have completed training in business basics, marketing, financial management and accessing credit. In a culture more accustomed to guaranteed and life-long employment, exposure to business skills and the concepts of entrepreneurial responsibility in both one's personal and professional life is, for many, a life-changing experience.

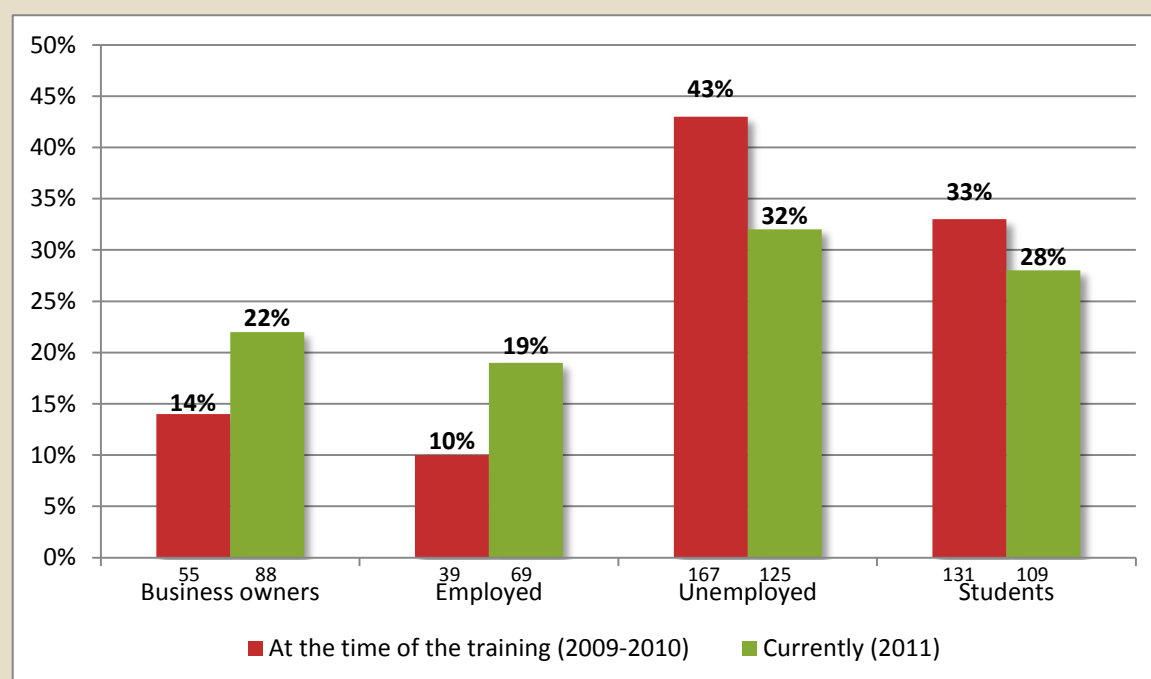
Reduction in Unemployment

Participants in PPES entrepreneurship training are using the new skills to find jobs and start businesses. From the 2009 and 2010 seminars, 9 percent of the participants have found full-time employment and 8 percent have started a business. This is an impressive result, as it came during a period of economic crisis and increasing unemployment within Serbia as a whole.⁴² Of the survey respondents, 33 report having started a new business since completing the training.⁴³



3-18

Employment status of PPES entrepreneurship training participants 2009-2011



Success in Accessing Credit

While not all entrepreneurs needed credit to start up or expand their business, some did. As Table 3-7 demonstrates, a total of 44 participants sought funding for their business idea or plan developed during the training and nearly half (20) were successful. Not surprisingly, those who

⁴² The rate of unemployment among participants attending PPES training (43%) is higher than the national average for youth ages 19 to 29 (36%) based on fourth quarter 2010 figures from the Bureau of Statistics because PPES targets disadvantaged communities and unemployed youth. For example, many of the trainings were conducted in South Serbia and Sandzak, where youth unemployment reaches 40 percent or more, according to the Serbian Bureau of Statistics.

⁴³ Assuming the same rate of business start-up holds for the entire cohort of youth trained by PPES, a reasonably conservative assumption, the training will have resulted in the establishment of more than 160 new businesses.

used the training to learn how to improve an existing business (indicated as “entrepreneurs” in the table) were far more successful in raising capital than the unemployed participants attempting to start a business. This is not surprising; start-up capital is difficult for first time business owners, especially during the economic crisis when credit was tightened even more. Traditionally, those with a business track record have an easier time establishing their credit worthiness. The employment status at the time of the training and today among participants in 2009 and 2010 is shown in Table 3-8.



3-8

Entrepreneurship Training Participants 2009 and 2010: Applications for Funding

Based on 351 Respondents	Applied for Credit	Received credit	Total credit received
Unemployed	19 (15%)	3 (16%)	\$6,286
Entrepreneurs	25 (33%)	17 (68%)	\$202,818 ⁴⁴

Business Mortality

Of the 55 business owners who participated in the trainings, 12 of them have had to close their doors in the intervening time – a failure rate of 22 percent. According to a U.S. government website, the norm is 50 percent of all U.S. startups fail in the first five years⁴⁵. Several different business information web pages cite the global figure as much higher: 85 percent to 90 percent fail in the first five years. Thus, at least on the surface PPES-trained start-up businesses have a much lower failure rate than the worldwide average. More research would be needed, however, to comment more fully on causality and attribution.

Sources of PPES Participant Capital:

- 43% Serbian Development Fund
- 38% National Employment Service
- 9.5% Commercial Banks
- 9.5% German NGO HELP

Top Ten Youth Offices

With four years of experience working with Youth Offices, the team recognizes common qualities among the Offices that make some more successful than others. These findings can be helpful to the municipality and the Ministry of Youth and Sport, among others, to identify ways to give more responsibility and leadership to these Offices for managing youth issues. Three areas of measurement were identified: municipal support and Youth Office sustainability; level of participating in PPES activities; and Youth Office-initiated activities.

The team’s *Top 10* all had several things in common. They had the trust and confidence of their municipalities as evidenced by rising budget appropriations and active engagement by municipal leaders in the YEAP process. Not surprisingly, coordinators from the *Top 10* engaged in PPES skills development trainings and were more successful than other coordinators in the management of the Youth Entrepreneurship trainings in their municipalities.

It can be seen in Table 3-9 that the *Top 10* not only used PPES resources to engage youth in unemployment reduction activities but initiated their own, either in cooperation with other donors or using municipal resources. With employment as the main concern among young people, PPES has promoted the idea that Youth Offices become the center for entrepreneurship information within their communities. Again, the Table reveals that the *Top 10* reflect this focus.

⁴⁴ One of PPES’ entrepreneurship training participants received a large loan of \$70,000. The average loan among the remaining recipients was \$10,440.

⁴⁵ Usgov.about.com



Top 10 Youth Offices Table

3-9

Municipality	Municipal Support and YO Sustainability				PPES-Supported Activities				YO-Initiated Activities			
	Increase of budget (2009-2011)	Increase in the number of volunteers (2009-2011)	Increase in the number of paid associates (2009-2011)	Sustainable Status of YOC	YEAP	Participated in PPES Supported Activities	Number of projects in the area of employment and entrepreneurship	Number of beneficiaries	General Action Plan Adopted	Number of donors	Number of projects in the area of employment and entrepreneurship	Number of beneficiaries
ALEKSINAC	✓	✓	✓	✓	✓	✓	2	25	✓	1	1	90
BEČEJ	✓	✗	✓	✓	✓	✓	4	42	✓	2	2	26
KNJAŽEVAC	✗	✓	✗	✓	✓	✓	3	55	✓	1	2	35
Kragujevac	✓	✓	✓	✓	✗	✓	1	29	✗	3	3	264
NIŠ - PANTELEJ	✓	✗	✓	✓	✓	✓	3	135	✓	1	1	100
NOVI PAZAR	✓	✓	✓	✓	P	✓	2	30	✓	2	2	54
OBRENOVAC	✓	✓	✗	✓	✗	✓	1	22	✓	2	4	240
PALILULA BEOGRAD	✗	✓	✓	✓	✓	✓	4	150	✓	4	1	150
PRIJEPOLJE	✓	✗	✓	✓	✓	✓	3	31	✓	1	1	20
ZRENJANIN	✓	✓	✗	✓	P	✓	2	19	✓	3	1	107
TOTALS							25	538		20	18	1,086

P = YEAP activity is in process

I. SUPPORT TO YOUTH OFFICES



Alibunar Youth Office

Youth Offices continue to strengthen their role in their communities. Many are becoming permanent information centers for job search and business start-up information.

Youth Office activities for this period continued to build the skills of Youth Office Coordinators so they and their Offices can lead youth employment strategies in their communities while becoming information centers for youth entrepreneurs. Youth Office Coordinators and staff training were held in November and December 2010. The main subjects included marketing, communications and entrepreneurship.

Dividends from the Youth Office Coordinators and staff training sessions were immediate: The newly trained coordinators successfully organized 33 Youth Entrepreneurship training sessions, recruiting participants with the highest potential for business success to date.

Reporting Period Highlights

33 Youth Office Coordinators completed the capacity-building education program, bringing the total number of YO staff trained in marketing, communications and entrepreneurship to **104**.

32 Youth Offices recruited **517** new participants for entrepreneurship training; 47 percent of them successfully completed a business plan and 76 percent of those with finished business plans intend to pursue financing for their business idea.

12 Municipalities began implementing Youth Entrepreneurship Action Plans (YEAP) developed in 2010 with PPES support. All received matching grants from PPES to implement a total of **22** priority activities to reduce youth unemployment in their communities; **910** youth directly benefited from the YEAP activities.⁴⁶

11 Municipal Youth Offices are developing YEAPs in 2011 and successfully built coalitions of local and national stakeholders to participate in the planning process. The coalition includes municipal leaders, National Employment Offices, regional economic development agencies, Chambers of Commerce, educators, NGOs and young entrepreneurs.

⁴⁶ Municipalities were required to match PPES' contribution dollar-for-dollar.

YOUTH OFFICE Bečej

PPES partner since 2009



After PPES' entrepreneurship training, Becej resident Agota Mehic, 29, obtained funding through the National Employment Service to open a hair salon.

PPES activities:

- Youth Office Coordinator leadership, communications and entrepreneurship training
- Basic Business and Finance Training for 23 young entrepreneurs
- YEAP adopted September 2010

The Becej Municipal Youth Office (YO) is a model in Vojvodina. Participating in PPES offered training and youth employment activities, the Youth Office has moved aggressively to become a resource center for the community's youth as they prepare themselves to become more competitive in the Serbian labor market. The Office's hard work was rewarded by the Municipal Administration which increased the YO's budget by 66 percent last year.

Among the first group of municipalities to engage in PPES' Youth Entrepreneurship Action Plan activity, the YO used the PPES and municipal investment to create a permanent resource center for young people looking for information to start a business or find a job.

Following Becej's adoption of its YEAP, it has trained many of its job-seeking youth in resume writing skills, job interview preparation and how to research job opportunities. Following a needs assessment conducted by the YO, it also created a website and trained 25 young volunteers to staff the newly established Info Center providing information on job search and business start-up resources available through local and national governments.

YOUTH OFFICE Kruševac

PPES partner since 2009



Recognizing the invaluable role of the Municipal Youth Office, the local government doubled its 2010 appropriation for YEAP activities.

PPES activities:

- Youth Office Coordinator leadership, communications and entrepreneurship training
- Basic Business and Finance Training for 23 young entrepreneurs
- Manpower, Inc., Career Guidance and Counseling Services pilot 2011

The Krusevac Youth Office from its inception has focused on the need to align student education with the needs of the local labor market. In addition to its partnership with PPES, the Office built relationships with both the British Council and the National Employment Service (NES) to ensure that all available training opportunities are accessible to its local youth. In partnership with the British Council, the YO organized proposal-writing seminars as well as special examination preparation training for more than 300 youth taking the high school entrance exam.

The Office's goals were further rewarded when it was selected as one of three YOs in Serbia to pilot a Manpower, Inc., model Career Guidance and Counseling service for youth who are no longer in school. This public-private partnership between the global human resource company and the Serbian Ministry of Youth and Sport was facilitated by PPES and is an opportunity for Youth Offices to become engaged in career counseling services. Two out of five youth ages 24 to 30 are unemployed – an age group most likely to be unable to access school-based counseling services. The Manpower-based model will also help them link their skills and education with current professional opportunities; the youth will also have access to the National Employment Services' data base.

Dalibor Marković

Youth Office Coordinator
Aleksinac

PROFILE

Dalibor Markovic, just four exams away from earning his degree in Civil Engineering, worked as a volunteer for an NGO called “Talas” in Aleksinac from 2003 to 2005. He first served as a project manager at “Talas” before becoming its president.

Dalibor, an original organizer of the Youth Office (YO) in Aleksinac, participated in the Ministry of Youth and Sport’s workgroup for strategy development where the idea for a local Youth Office was born. As the YO was integrated into the Local Economic Development Department, the work of the office expanded. Dalibor’s job description has changed significantly, with his duties becoming more complex and focused more toward projects implemented by the local government.

When the Aleksinac Youth Office joined the PPES program in 2010, Dalibor immediately took part in all available trainings to improve his business knowledge and leadership skills. In Dalibor’s opinion, “The media appearance was the most valuable training, as it has given me great confidence and more media [interaction] opportunities.”

The true value of the cooperation between the Youth Office and the PPES program, according to Dalibor, is best illustrated through the entrepreneurship training. In the past year, 14 young people have started businesses while seven have applied for start-up funds using business plans they refined or produced during the training. Currently, a group of 15 young people regularly visit the YO to seek business advice. Dalibor is pleased that the municipality increased its support to youth by budgeting nearly \$50,000 for projects related to youth entrepreneurship. Different educational trainings concerning youth entrepreneurship are scheduled and Dalibor hopes that this also will bring favorable results.

PPES’ support encourages long-term sustainability

Dalibor is a shining example of how PPES’ support and training for the YO introduces new ideas and steps toward the YO’s long-term sustainability. In 2010, Dalibor helped organize an international innovation camp where 50 participants studied the concept of innovation and shared their international experiences. Dalibor believes: “We need to mobilize ourselves and focus all our efforts on the development of the local community because no one else can make things better; only we can achieve that.”



Dalibor Marković



The Aleksinac Youth Office provides opportunities for local youth to learn the role of innovation in the modern work place at the International Innovation Camp. Bovan Lake, 2010

A. Entrepreneurship Trainings

Once again, PPES conducted two capacity-building training programs targeting new Youth Office Coordinators; it is the third consecutive year for this activity.

Strategic Communication and Promotion: This training focused on strategic communication with stakeholders. Specifically, it increased the Youth Offices' capacity to understand, organize, and promote a broad spectrum of youth activities. Special emphasis was placed on how to provide logistic support for and on-site management of events – an important capacity-building skill because the majority of local coordinators lacked experience, knowledge and skills to perform basic outreach tasks.

PPES-sponsored entrepreneurship training helps young entrepreneurs write a business plan and learn how to apply for start-up capital.

Youth Entrepreneurship: These courses provided YO Coordinators with an understanding of entrepreneurship as a business concept as well as a personal approach to professional and personal responsibility. Key seminar topics included: entrepreneurship, marketing and business development. The sessions served as the foundation to develop Youth Officers' skills to promote, recruit and manage logistics for the Youth Entrepreneurship courses delivered with PPES support during this reporting period. Thirty-three Youth Office Coordinators completed both the Strategic Communications and Entrepreneurship trainings, a prerequisite for further PPES support.

A primary responsibility of Youth Coordinators following the completion of training is to organize and manage a seminar for youth in their communities that want to start their own business or strengthen an existing one. The PPES-developed entrepreneurship training program, *Business Planning and Financial Resources for Businesses*, teaches business basics, provides skills to evaluate their business idea, offers information on raising capital and introduces participants to the personal attitudes and values common to successful entrepreneurs.

This year, PPES' entrepreneurship seminars were held at the same time that the *Fund for Development of the Republic of Serbia* held an open call for small and medium-sized enterprises to apply for start-up funds. PPES engaged three agencies certified by the National Agency for Redevelopment to lead the training on *Access to Business Financing*.⁴⁷

A total of 33 entrepreneurship training sessions were held in 32 municipalities/cities during the reporting period.⁴⁸ A full list of municipalities is included in Annex D. As in prior years, participant recruitment, seminar promotion and logistical management were the responsibility of Youth Office Coordinators. The coordinators recruited a highly motivated group of participants using traditional and social media communications; 7 percent of the potential entrepreneurs arrived with draft business plans already written while another 50 percent came with a concrete business idea. After the training, 84 percent said they now have concrete business ideas. Even more encouraging, 91 percent said they were more optimistic

The entrepreneurship trainings were completed between February and March 2011. It is the third year in a row that the Economic Security team has led these sessions reaching 1,550 young people.

⁴⁷ The National Agency for Regional Development was created in February 2010 when it merged with the Republic Agency for SMEs and the Ministry of Economy. The three Regional Centers for SMEs supporting the PPES trainings were Belgrade, Krusevac-Kraljevo-Cacak and the Timok Regional Center.

⁴⁸ Due to a larger youth population and greater interest, Kragujevac organized two training sessions.

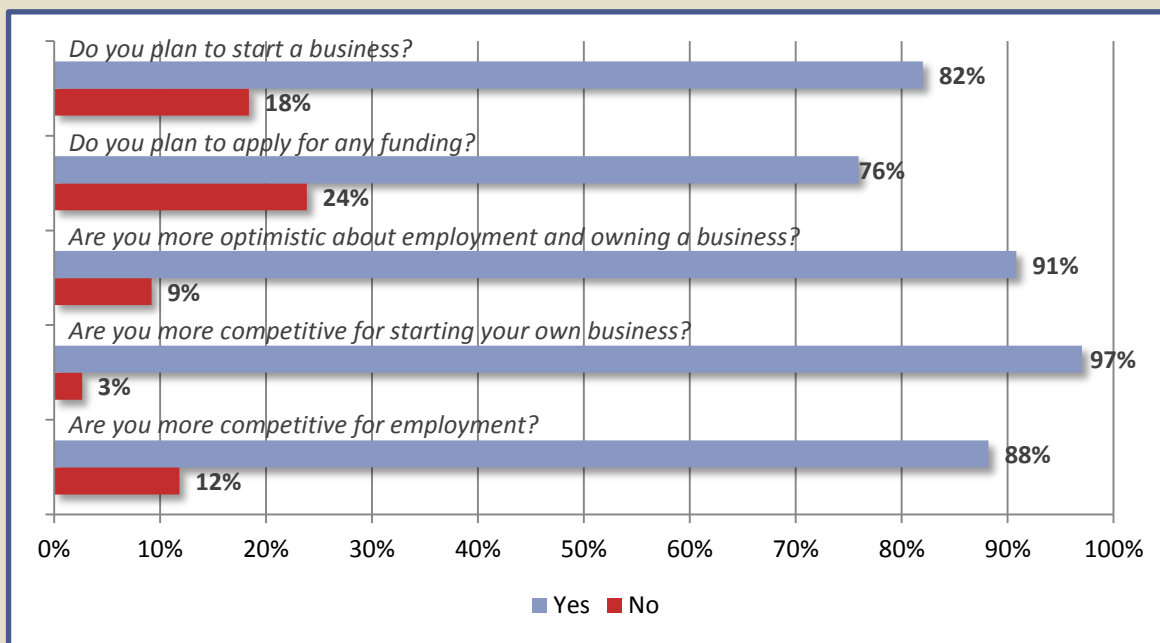
about both their personal employment opportunities and why private business ownership is now an important part of Serbia's economy than before attending the seminar⁴⁹.

More significantly, participants also said they felt more confident and were more willing to take the risk of opening their own business. As can be seen in Figure 3-19, 88 percent said they felt more employable than others as a result of what they learned during the seminar and, 97 percent said the training made them feel more competitive than others starting a business.



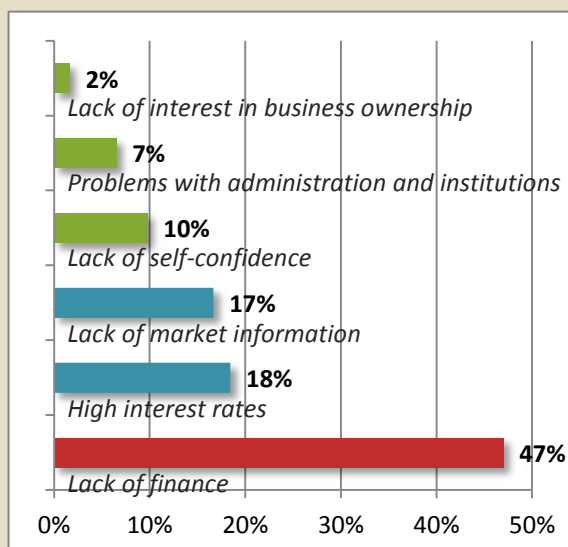
3-19

Youth Entrepreneurship Training Participants' Questionnaire⁵⁰



3-20

"Obstacles to starting a business" identified by Training Participants



It is not surprising that participants overwhelmingly feel more confident of their ability to accept the risks of starting a business. PPES' entrepreneurship trainings try to address misconceptions and prior understanding of entrepreneurship. It covers personal qualities needed to be a business owner as well as how to overcome some of the most important challenges. Both are important topics needed to help a new generation embrace the principles of entrepreneurship and engage responsibly in business ownership.

The training directly targets participants' greatest concerns and, in doing so, allays the fears of business ownership as perceived by the participants, the most common of which are illustrated in Figure 3-20.

⁴⁹All 471 participants turned in part of the training survey; not all participants responded to all survey questions.

⁵⁰ Not all respondents answered every question. Percentages are based on the average number of response but the total number of responses was different for each question.

YOUTH BUSINESS Juga Voce, Blace

Investing in Success



Special Recognition:

2009: Agricultural Fair of Novi Sad – Gold Medal for Plum Quality

2009: Blace Youth Office “Days of Plums” – Most Promising Agricultural Producer Award

Important New Markets:

Discussions underway with a potential Russian partner to explore market entry potential

Juga Voce is a company that blends generations of commitment, the rich traditions of Blace plum growing, the values of a family-owned business and the energy and determination of a young entrepreneur to build a company as enduring as the Serbian brandy it makes.

Serbian rakia is known as the local drink visitors must try. Making it requires a strong knowledge of plum-growing techniques which Jugoslav Azdejkovic, the company’s founder and third-generation brandy maker, brings to the company. Growing and succeeding in a market economy takes knowledge of technology and innovative thinking to expand product lines which Jugoslav’s 33-year-old son and business partner, Milorad, brings to the company.

In 2009, using a Ministry of Agriculture financing program, Juga Voce purchased a facility to turn 12 tons of unused plums into prunes, but the weakened economy prohibited further investment in new product development. Yet, after attending PPES’ entrepreneurship training organized by the Blace Youth Office in 2010, Milorad registered the family farm as a company and wrote a formal business plan that helped the company land \$78,000 in new financing through a National Development Fund program to produce frozen plums.

YOUTH BUSINESS Fitness Club Vita Gym, Loznica

Approach the Marketing



“Summer at the Pool” project implemented by Vita Gym

Special Recognition:

Won grant from Ministry of Youth and Sport for a Local Youth Action Plan program

Important New Markets:

Targeting customers that wanted healthy living services as well as exercise; expanded local customer base by 20 percent

The vision that Darko Vasic and his brother Dragan have for their company, Vita Gym, goes beyond being just another workout facility in Serbia – it emphasizes education and training in healthy living habits and serves as a leader in community recreation programs. It has grown from a two-person operation to a facility with 12 fitness trainers, led by Dragan, a trained and experienced fitness expert.

Founded 12 years ago, the brothers’ gym struggled to grow beyond a client base of family and friends. In 2009, Darko, a lawyer and the gym’s chief financial officer, attended PPES’ entrepreneurship training. The training introduced him to the principles of financial management, market research and consumer targeting. Following the seminar, the company prepared a business plan and credits the 20 percent growth in new customers to the knowledge gained at the training. In 2010, Vita Gym applied through the Loznica’s Youth Office for Ministry of Youth funds for Local Youth Action Plans and won a grant to implement the “Summer at the Pool” project. More than 100 Loznica high school students played “Games without Borders” to learn about the importance of a healthy lifestyle and the value of participation as opposed to focusing solely on victory.

Darko believes the Youth Office-organized PPES training was a turning point in the development of Vita Gym. “One of the greatest experiences was to be able to share experiences with other entrepreneurs and build a network of colleagues that understand my challenges.”

Uroš Stanišić

Business Owner of
Hart Printing Shop

PROFILE

Uros Stanisic is a 27-year-old entrepreneur who graduated in Graphic Design from the School of Arts. He worked at his father's printing shop from early childhood and knew the business very well. During his studies, he decided to reopen a printing shop that he inherited from his father. For the last six years he has been the sole owner of the store. Uros financed the business through a bank loan, though he regrets not making use of available government and international community funds to help the business grow faster.

His workshop's core activity consists of handling book and textbook printing. To provide the best possible service to its customers, Uros' printing shop offers a complete product package that includes creative design, camera-ready copy and other production steps. Currently, Uros is looking to expand his business to neighboring cities and considers Nis, the closest large city, to be an excellent target market.

Uros says he has 10 high-quality, repeat customers who use his full line of services and another 200 customers he calls "invoices only," customers who use services ad hoc and with no predictable regularity. However, Hart Printing has been doubling its customer base each year. Uros' biggest challenge is the promptness of clients: "I simply wish that clients would pay on time. On the other hand, this problem is cultural in nature and difficult to handle."

PPES' support encourages long-term sustainability

Uros participated in almost all trainings supported by the PPES program in Knjazevac in Southeastern Serbia. Through the training he was able to share his experiences with other young entrepreneurs. Uros says the most valuable session for him was marketing, a subject he knew little about before the training. He is applying the new information to help him expand beyond Knjazevac, a small, isolated community that will not support Uros' long-term goals for the company.

The most important result of the PPES entrepreneurship training was the professional business plan Uros wrote and used to secure a bank loan worth \$17,000. He used the loan to purchase new equipment such as printing machines.



Uroš Stanišić



Hart Printing Company is growing and adding new jobs for young people in the community. Since working with PPES, the company has expanded from two to seven employees.

B. Youth Offices - YEAP

PPES invited all municipal Youth Offices that did not participate in the FY 2010 Youth Entrepreneurship Action Plan activity to apply for FY 2011. Sixteen municipalities applied for PPES assistance in the development of a YEAP for their community, 11 of which were accepted into the activity. Memoranda of Understanding were signed at public events to formalize the municipalities' partnership with PPES and to promote the activity.



3-10

PPES 2010 YEAP Municipalities (Implementation phase)		PPES 2011 YEAP Municipalities (Creation and adoption phase)	
1	Backa Topola	1	Aleksandrovac
2	Bečej	2	Aleksinac
3	Čicevac	3	Blace
4	Knjaževac	4	Leskovac
5	Lajkovac	5	Novi Pazar
6	Loznica	6	Ruma
7	Palilula (Bgd)	7	Surdulica
8	Palilula (Niš)	8	Vel. Gradište
9	Panteleji (Niš)	9	Vlasotince
10	Paraćin	10	Zaječar
11	Prijepolje	11	Zrenjanin
12	Senta		

Before the end of 2010, all 11 municipalities successfully formed their working groups – the broad-based committee of community stakeholders that completes a municipal needs assessment and drafts the plans. In the first quarter of 2011, the Working Groups conducted community forums to collect feedback and input before completing the final YEAP for adoption by their municipal parliaments. Once the plan is formally adopted, implementation begins immediately.

The full process and purpose of each step is outlined in Figure 3-21, below.

To show communities that the YEAPs are “living plans” not meant to gather dust on someone’s bookshelf, PPES encouraged municipalities to move rapidly from adoption to implementation of activities.

To incentivize this, PPES provides initial seed funding (up to \$5,000, which is matched dollar-for-dollar by the municipality) to implement high-priority projects defined in the YEAPs. The 12 plans adopted in 2010 target three core activities:

- Business development programs to support youth entrepreneurship;
- Career counseling services to help young people research career choices and conduct better job searches (prepare better resumes, interviewing techniques); and
- Rural job or business opportunities to stem the youth exodus from villages for employment.

The YEAP is a highly participatory process that brings together public, private and other stakeholders to find tailored, community-specific solutions to reduce youth unemployment and promote youth entrepreneurship. Once adopted by municipal assemblies, local Youth Offices manage the implementation, an effort that strengthens their leadership roles and capacities within their communities.

Reducing the unemployment rate among young people is a key pillar of Serbia’s National Strategy on Youth and the work of the Economic Security team aligns with the strategy’s goals.



3-21

Youth Entrepreneurship Action Planning – Empowering local communities to reduce youth unemployment

1. Assembly adopts
decision on creation
of a YEAP

2. Create a
working
group

3. Research &
community
outreach

4. Prepare
the first draft

YOUTH ENTREPRENEURSHIP ACTION PLAN: IMPLEMENTATION SUMMARY

Y	910 direct beneficiaries
E	12 Youth Offices
A	22 separate projects
P	Access to job search /business info

The PPES YEAP activity is an innovative approach that helps municipalities turn strategy into concrete action. As reported, the 12 municipalities that created YEAPs in 2010 reached more than 900 youth with 22 separate projects that included education, hands-on experience and practical guidance critical to planning a career, getting a job or starting a business. Though training and information sharing were the featured activities, the true benefits are the motivation and mobilization of young people and the municipal institutions that support them to accept greater responsibility for their personal and professional futures.

Municipal Youth Offices were in charge of the YEAP implementation phase. As the following highlights, the projects required YO Coordinators to manage local NGOs, recruit volunteers, reach into the local business community and exercise strong planning and organizational skills. Through many of the activities, Youth Offices have become permanent resource centers for job search and preparation skills as well as entrepreneurial and business start-up information.

The YEAP process allowed municipalities to be flexible and tailor activities to local needs and policy challenges. Some activities introduced rural youth to modern business opportunities that allow them to remain at home and create new jobs for themselves and others. One municipality targeted single mothers for job preparation and entrepreneurial training; another focused on bringing together multiple generations on family farms to build modern agri-businesses.

What was uniform across all YEAP activities was that the projects energized participants to take action, seek information, and prepare themselves for the opportunities available to them in modern Serbia. In all projects, participants received the benefit of building personal networks – mentors from among the local experts who implemented activities and peers they met during the projects. While the current number of beneficiaries may be 910, the final number will be tallied over many years as new youth-owned businesses add employees, young entrepreneurs remain in rural areas and the networks now in place to connect youth to job opportunities expand.

One final point of interest –the YEAP activities reached a large number of youth for a relatively small amount of money. This model of development delivery – placing funding decisions directly in the hands of Youth Offices Coordinators, who then find the right mix of paid and volunteer labor appropriate for their communities – is highly cost effective. The average activity cost about \$4,000 and reached over 100 young people.

PALILULA (BELGRADE)



Youth Entrepreneurship Training in Palilula

Palilula (Belgrade) is implementing two activities targeting two groups of youth: those in high school preparing for university or their first job and young people wanting to start a business. The Youth Office helped establish a job search data base accessible to all municipal high school students and held training on business basics and the legal requirements of starting a business for young entrepreneurs.

Project Name / Title	Status	Budget	Service provider	Beneficiaries
1. Career Guidance and Counseling Center in Agriculture High School	Ongoing	\$4,650	Agricultural High School	All high school students
2. Business2Youth	Completed	\$5,220	Omladina Palilula	30

5. Organize public hearing

6. Assembly adopts YEAP

7. Implement priority projects

Starting with an assessment of youths' needs, the **Backa Topola** Youth Office designed an educational program and consultation services for youth wanting to start a business or strengthen an existing one. The YO also set up a mentoring network by organizing local professionals and business owners to answer questions and provide guidance to the young participants – relationships that can last long after the training.

Project Name	Status	Budget	Service provider	Beneficiaries
1. Free Advisory Service for Young Entrepreneurs	Ongoing	\$1,875	Local association of entrepreneurs	25
2. Researching the needs of Young Entrepreneurs	Ongoing	\$660	Local association of entrepreneurs	50
3. New Educational Programs for Youth	Ongoing	\$1,250	Local assoc. of entrepreneurs	30



The **Becej** Youth Office took a long-term view of its YEAP activities. While it did provide immediate training for a group of young people to help them prepare better resumes and learn how to interview for a job, it also laid the foundation for permanent access to information most needed by young people. With the creation of a website and the training of volunteers to staff an information center, municipal youth now have a local resource that can help them research and answer their most important career-related questions.

Project Name	Status	Budget	Service provider	Beneficiaries
1. Youth Office information website	Completed	\$800	B. Božić, Web Designer	Available for all youth
2. "Education Reduces Unemployment" Training	Completed	\$1,100	Youth club Novi Becej	20
3. Training of Info Center Volunteers	Completed	\$1,100	Youth club Novi Becej	15
4. Production of entrepreneurship informational & promotional materials	Completed	\$400	SZR Sitograf	Community-wide distribution

The **Cicevac** Youth Office plans to train more than 120 young people in the skills needed to land a job: professional resume writing, compelling cover letters, good communications skills and team work. Future activities will include rural youth to give them opportunities to remain in the region rather than relocate to a larger city. This effort will focus on agricultural management education.

Project Name / Title	Status	Budget	Service Provider	Beneficiaries
1. Trainings for Youth	Not started	\$5,000	To be signed	120



The **Loznica** Youth Office, too, recognized the importance of keeping young people in the region. The local Youth Office held eight seminars to educate 100 rural youth in modern agriculture methods, available government subsidy and funding programs for agribusiness projects and instruction and information on application procedures.

Project Name / Title	Status	Budget	Service Provider	Beneficiaries
1. "Seed of Knowledge" Training	Completed	\$4,000	Youth "OK Club"	100



Lajkovac YEAP Project

In **Lajkovac** young people were selected for intensive training in agriculture product development and marketing specific to live-stock, animal husbandry and fruit production. Participants either already had or were interested in starting an agri-business. Participants were provided training in modern agriculture techniques and field work by more experienced farmers. They also were introduced to the use of computers and the Internet as tools for agriculture management and sales/pricing.

Project Name / Title	Status	Budget	Service Provider	Beneficiaries
1. Education of Rural Youth in Modern Livestock and Fruit Production	Completed	\$8,560	Agriculture Center "Lajkovac"	30



The **Knjaževac** Youth Office targeted a group of youth that had successfully secured credit for a business but needed more training to be successful. Eight days of training in planning, marketing and financial management were provided. During the training, the group learned how to identify the strengths and weaknesses of their current businesses. Finally, support was given to participants in the development of quality marketing materials such as web-sites and brochures.

Project Name / Title	Status	Budget	Service Provider	Beneficiaries
1. Business Support Program and Networking of Young Entrepreneurs	Completed	\$9,400	4 companies	50

The YEAP activity targets potential young agricultural producers; the educational program will be delivered in three phases. Phase one will help the young producers develop relationships with agricultural associations and cooperatives needed to open the door for marketing and selling. Phase two is training in farm management while phase three provides consulting support in marketing and selling to new buyers.

Project Name / Title	Status	Budget	Service provider	Beneficiaries
1. "Youth Entrepreneurship in rural areas" documentary production	Approved	\$9,533	To be selected	50



Kancelarija za mlade

The **Pantelej (Nis)** Youth Office identified the need to engage its rural youth in taking a greater role in advancing their personal futures. A documentary is being produced to provide information to rural youth about a wide range of opportunities and how to access them. It will highlight both employment and self-employment programs as well as available educational opportunities, networks and professional associations that can be used as resources, and funding programs and how to apply to them.

Project Name / Title	Status	Budget	Service provider	Beneficiaries
1. "Youth Entrepreneurship in rural areas" documentary production	Ongoing	\$4,301	Center for child edu. development	1,200



introduced and trained in the business of composting, a growing opportunity in organic farming.

Providing practical, hands on training and experience for both urban and rural youth was the goal of the **Palilula (Nis)** Youth Office. Training in basic business skills for entrepreneurs was delivered as well as the production and delivery of information manuals on how to start a business. These participants also will have access to the consulting services of local professionals who have agreed to help with basic legal and financial questions. Rural youth were

Project Name / Title	Status	Budget	Service provider	Beneficiaries
1. MladiBizNis	Completed	\$3,339	Gradj.inic.za zapošljavanje	120
2. Let Us Do Something	Completed	\$2,624	Zoo Planet	60
3. Active Youth in (self) employment	Completed	\$3,992	Volonterski centar	60



spots to deliver job announcements, announce community resources and how to access them.

Education and information are seen as the most important activities for **Prijepolje** Youth Office's first YEAP activities. A group of young entrepreneurs will be trained in business basics and how to register and finance a business. To build a support network, the YO is building a database of entrepreneurs and is initiating a public service campaign in cooperation with the local television station producing both full length programs and commercial

Project Name / Title	Status	Budget	Service provider	Beneficiaries
1. Support to Youth Entrepreneurship	Ongoing	\$5,000	Polimka Plus d.o.o.	15
2. Young and Successful Entrepreneurs	Ongoing	\$6,700	TV Forum	TV viewers



The **Senta** Youth Office is targeting its rural youth by providing a select group of 15 with education and hands-on training in how to start an agricultural business. The program is delivered in two modules and lasts two months. Additionally, 20 more youth interested in starting a business will be provided training in business basics and how to access funding.

Project Name / Title	Status	Budget	Service provider	Beneficiaries
1. How to Start Your Own Agricultural Production	Ongoing	\$1,735	Local entrepreneurship. association	15
2. How to Start a Private Business	Ongoing	\$1,735	Local entrepreneurship association	20

II. SUPPORT TO JUNIOR ACHIEVEMENT SERBIA

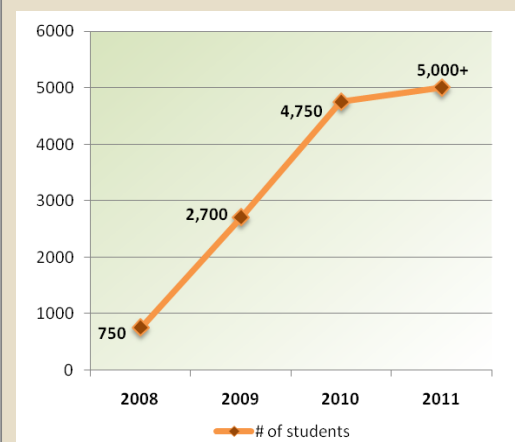
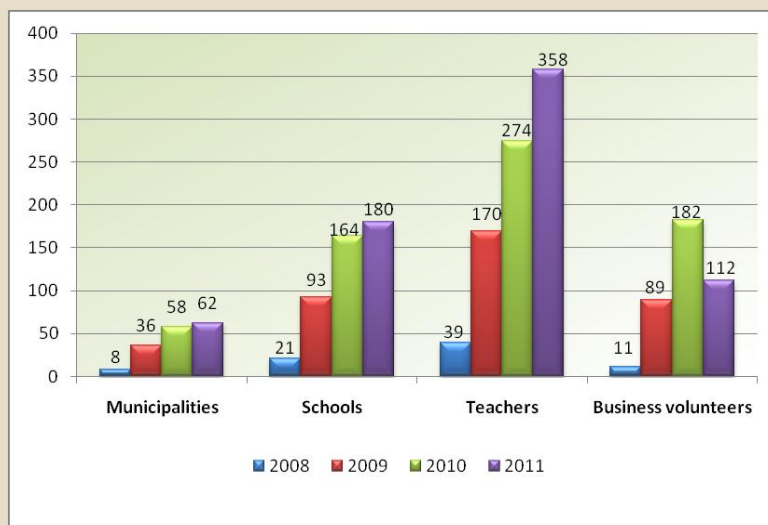
PPES continues to support the development of Junior Achievement Serbia's (JAS) efforts to become a nationwide entrepreneurship education program. JAS contributes to PPES' goal of providing Serbia's youth with the skills and knowledge to be more competitive. JAS fills a gap left by a public education system that is behind in preparing students for today's market economy needs. Table 2-8, below, portrays the extraordinary growth of JA in Serbia in just the past three years⁵¹.

PPES' work with JAS in 2011 is focused on the organization's internal capacity and long-term sustainability. This is in contrast to the previous two years when the emphasis was on growth (the inclusion of more schools and students, the holding of more competitions, the offering of



3-22

Growth of JAS between 2008 and 2011



more and different curricula, etc.). For the long-term stability of the organization, PPES has been supporting JAS fundraising efforts, especially unrestricted corporate sponsorships, rather than those earmarked for specific competitions or other highly visible events. Concurrently, the program has been developing management skills within JAS to improve its financial planning and management, internal control and operational capacity.

Building Operational Capacity

Junior Achievement Serbia, through PPES' support, has made great strides over the past two years:

- JAS offers programs for nearly seven times the number of students it did just three years ago;
- JAS has a full-time executive director and a staff of six; concurrently, organizational capacity has improved significantly.⁵²

⁵¹ The number of business volunteers represents half-year results for 2011. JAS expects final results in this area to exceed the number of 2010 volunteers.

⁵² As measured by the OCAT (Organizational Capacity Assessment Tool – a widely accepted standard in organizational capacity assessment for nonprofit organizations that was originally prepared for Venture Philanthropy Partners (VPP) by McKinsey & Company). JAS' overall OCAT score in 2009 was 1.3 (on a scale of 0 to 4). In 2010 its score was 2.7. The next assessment is planned for summer 2011.

- The JAS Board has changed and is now built around a core group of more dynamic and involved members;
- The organization has a new long-term mission, vision and strategy;
- More recently, JA Serbia was awarded Model Nation status by JA-Europe, becoming just one of seven countries in Europe to attain this status.

JAS has also experienced a greatly expanded level of funding and corporate commitment, especially over the past year. The numbers for 2009/2010, however, are somewhat deceptive as a significant portion of this private-sector funding was earmarked for special events. This funding, while extremely valuable as it contributed significantly to JAS' ability to broaden its menu of activities and competitions for students, *did not fund core operational costs*.⁵³

To help give the organization time to build a more robust base of corporate donors, PPES extended its institutional support grant to JAS to cover its core operational costs during the 2010-2011 school year. The grant buys time for JAS to seek and obtain additional sources of unrestricted funding. In addition, in collaboration with USAID's Agribusiness Program, PPES provided technical assistance to help the organization improve its fundraising skills.



JAS Private Fundraising 2008-2011

3-11

Type of funding	School Year		
	08/09	09/10	first half of 10/11
Corporate funding in-kind	\$2,000	\$34,000	\$32,800
Corporate funding in cash	\$0	\$62,900	\$33,100
<i>Unrestricted funds</i>	<i>\$0</i>	<i>\$10,800</i>	<i>\$24,280</i>
Total corporate funding	\$2,000	\$96,900	\$65,900

As can be seen in Table 3-11, JAS is achieving its most important goal for unrestricted funding. Of the private funds raised since September 2010, 73 percent are unrestricted compared to just 17 percent from last year.

Building Fundraising Capacity

JAS began working with a U.S. consultant who specializes in creating fundraising ("Development") plans for non-governmental and voluntary organizations. By the middle of November a draft Development Plan was completed and circulated for review and comment. The plan was then finalized and formally adopted by JAS' Board on November 22, 2010.

Although the organization is still adjusting to the additional work that implementing the plan entails (and bal-

JAS Development Plan Goals

1. Create a three-year plan to fundraise nearly \$700,000 in annual and sustained income
2. Replace \$278,000 in USAID funding by 2012
3. Eliminate need for USAID funding by 2013
4. Create a sustainable stream of unrestricted support

⁵³ With two notable exceptions – in 2010, JAS received important unrestricted donations from Oracle and Erste Bank. The long-term sustainability of the organization, however, depends on JAS' in successfully attracting a much larger pool of unrestricted funds, as a percentage of its total budget.

ancing this work against the ongoing needs of running the in-school programs and competitions), they have already achieved some early success. In the 2010-2011 school year a database of 120 targeted “prospects” has been created, meetings with 50 of these potential donors have been held and \$65,900 in new donations have been realized (with an additional \$99,000 under negotiation). The most significant victory was the conclusion of year-long negotiations with Societe Generale Bank for a contribution of \$14,000 in unrestricted funds. These early successes, based on adopting a more methodological approach to fundraising, are highly encouraging.

The Board: In addition, adopting an approach that other successful JA-country programs use, the board of directors has been enlisted to help with fundraising. At the most recent board meeting, members agreed that each board member would either give or raise 1,000 Euros. Furthermore, board members are expected to review the current 120 company prospecting list to determine if they: have personal contacts that would help leverage a positive fundraising result; are the right person to join JAS senior management in the fundraising meeting with the prospect; or have additional contacts to approach for donations.

The Database: A database has been built and 120 prospects identified as either having a track record of contributing to entrepreneurship education or being proven donors who, given the right rationale, could be turned into JAS funders. In developing this tool, JAS has developed a system similar to those used for Total Customer Management (TCM) to track prospects’ giving history, interests in charitable giving, information on when the prospects or their companies make giving decisions, results of meetings, and reminders to write thank you letters, maintain appropriate communications and manage follow-up. The database is used as well to track business volunteers and in-kind contributions.

JAS Meetings with potential donors in 2011			
Month	Target # of meetings	Meetings Completed	Result
January	13	12	\$28,000 in donations \$88,000 in negotiations
February	17	16	\$0
March	25	22	\$30,400 in donations \$11,200 in negotiations
Totals	55	50	\$48,400 in donations \$99,200 in negotiations



3-12

Meetings: The Development Plan organizes JAS fundraising activities around face-to-face contact (with strict monthly targets and tracked results). This more methodical approach of networking has given JA Serbia the opportunity to build new relationships with important business groups including the Foreign Investors Council, Slovenian Business Club and the Nordic Business Alliance.

Among the lessons learned in these first three months of professional fundraising is that most company giving budgets are planned in late summer and early fall. Thus, even though many of the meetings held in the first quarter of this year did not yield an immediate donation, the foundation has been laid for a number of new potential donors in 2012. The second lesson identified is the need to target messages and package programs to provide prospective companies a clear understanding of the ways in which they benefit from their contributions. JAS learned that corporations set performance goals for their charitable investments and it is necessary to market activities based on helping them to achieve those goals.

Marketing Materials for Fundraising:

During this period, JAS completed four specific steps to improve its marketing: JAS has 1) revised its vision and mission; 2) wrote and designed new marketing materials; 3) for the first time, had its materials reviewed by potential donors as a way of piquing interest and tailoring messages to specific interests of potential donors (such as business ethics, entrepreneurship education, etc.); and 4) has targeted five key donors – Hewlett-Packard, Ernst & Young, Ericsson, SBB and Diners Club International – with these new packaged marketing materials.



Building Financial Management Capacity

Transparency, accuracy, costs savings and careful budget planning are some of the basic financial principles that JAS must respect in order to reach financial sustainability, but also to build a reputation as a reliable partner in CSR among the sponsor community. Every donor's interest is to support an organization that can clearly prove proper use of funds and JAS' goal is to become a model NGO in transparency and financial management.

As a part of its efforts to help JAS to reach this goal, PPES provided technical assistance in financial management to JAS. As a result, JAS now has a well-established system that enables advanced financial planning and budgeting, provides transparency in funds usage and helps evaluate costs. This system will help JAS to overcome the negative impact of the recent scandal involving other NGOs, which has made it harder for NGOs in general to access private sector funding, and will improve its financial tracking, planning and reporting systems.

PPES' technical assistance in financial management included a comprehensive analysis of JAS financial planning and management needs, and, combining those with the best practices in financial management, resulted in:

- A financial planning and tracking software has been developed. The software enables clear budgeting and cost estimation and allocation throughout the year. This will help JAS avoid cash flow problems, aid in presenting budgets and costs to interested donors, and help in undertaking cost-benefit analyses for every JAS activity.
- All JAS staff has been trained to use the financial software as it requires close cooperation between JAS program and administrative staff.
- JAS Financial Planning Policy Manual was written to guide the organization's budgeting decisions. The Policy manual provides guidelines in preparing budgets and establishes clear connection among activities and costs.
- JAS Procurement Policy Manual has been developed to provide clear rules, guidance and transparency in the organization's spending and procurement processes. Procurement Policy helps further strengthen JAS transparency in using funds, especially using third-party services or purchasing goods, which is another best practice example that JAS adopted and is following.

All off the above significantly improves JA fundraising capabilities by clearly demonstrating JAS capacity in managing funds properly, in addition to providing well-established programs and curricula.

III. STRATEGIC PARTNERSHIPS

International University in Novi Pazar Career Center



PPES and the International University in Novi Pazar (IUNP) collaborated to open a Career Center in March 2010. To date, the center has grown and is providing valuable services to its students. It offers career information, organizes training geared toward improving students' skills and helps with placements in local companies. The center establishes a link between students and the region's private sector, helping youth gain new skills and improve their employability.



Key Results

The Center's results are highly encouraging and surpass PPES' original expectations.

30 partnerships forged with 30 Novi Pazar-based companies and public institutions to give nearly 500 University graduates access to internship opportunities.

18 interns already have been hired by their assigned employer at the end of their internships.

464 students trained in resume writing, interview skills and job search techniques, computer literacy and business communication since Center opened.

2,000 of the University's students are receiving services each year.

The center is a model for future replication of similar centers. The center has been exceptionally active in both building its own capacity to deliver services and providing direct programs to students. The Center also provides trainings for professors and administrative staff in new teaching techniques and communication with students. A list of the Center's business, education and non-governmental organizations are included in Annex B. In the future, services will be made available to the University's branch campuses in Belgrade, Nis, Pancevo and Subotica as well through the use of online services. The plan is to organize online and on-site trainings for its students in other branches.

Support to State University in Novi Pazar



Državni univerzitet u
NOVOM PAZARU

PPES donated \$20,000 worth of equipment to the State University in Novi Pazar (SUNP) to help the school build a modern audio-visual laboratory. Cameras, editing decks, software and other essentials were among the items provided to the University, which plans to formally open the facility in May. The AV Laboratory at SUNP will partner with Sandzak's Association of Textile Producers (ASSTEX) by giving students the opportunity to produce marketing and communications material for ASSTEX members. As part of its multi-faceted business support strategy, PPES has engaged Novi Pazar's two universities as strategic partners in developing a trained and educated work force as well as a way to link students and employers to help reduce youth unemployment. The AV laboratory is the newest opportunity for students to gain practical work experience. The official opening of the laboratory is scheduled for May 9.

Cooperation with HELP



PPES, the German NGO HELP and the municipalities of Presevo, Bujanovac and Vranje created a partnership to assist young entrepreneurs in these municipalities. PPES will provide training assistance in business planning, marketing, management and finance to 157 young entrepreneurs in these municipalities while HELP and municipalities will provide up to 2000 Euro of start-up capital. PPES will also offer assistance to promising young businesses in improving their marketing materials and visual identity, in registering businesses and in accessing available funds for further business expansion.

Cooperation with MANPOWER



PPES has facilitated the implementation of three pilot projects implemented by Manpower, the Ministry of Youth and Sport and the Youth Offices in Zrenjanin, Krusevac and Belgrade-Paliliula. The first MOUs were signed between Manpower and Zrenjanin and Krusevac in November 2010; the Belgrade-Palilula agreement was signed in March 2011. As a follow up, the Career Advisers, staff that will run the centers, have been selected and hired by local governments, appropriate space has been assigned and Manpower on March 15 has provided initial trainings for the Career Advisers and Youth Office coordinators. PPES assisted in drafting MOUs, facilitated coordination among the parties and provided training space and support in the translating and preparation of the training and training materials.

KEY ELEMENTS OF MANPOWER PILOT PROJECT

First public-private partnership established between Serbian Ministry of Youth and Sport and an American corporation. The centers will offer career guidance services and other employment-related services to local youth through a non-school channel. The project will be piloted in three Youth Offices. The pilot centers will serve local youth by providing services related to employment and skills improvement, such as:

- Career Exploration
- Assessment Services/Personal Needs Counseling
- Work Readiness
- Case Management
- Organizational Capacity Building
- Employer Marketing
- Employer Internship Programs

International Organization Coordination

In order to improve cooperation among various projects and organizations, the PPES Program continued to organize international agencies' meetings on youth programming. The last meeting was attended by USAID/Serbia programs working on the topic (Competitiveness, Agribusiness, PPES, SLD), as well as by representatives from GTZ (recently re-branded as GIZ), UNICEF, HELP, BCIF, the new Danish-funded Fruits & Berries Project in South Serbia and the Ministry of Youth and Sport. A number of areas for cross-program collaboration in 2011 were identified during the presentations of activities made by organization representatives:

Agreements for collaboration

- **Junior Achievement:** All USAID implementing partners showed interest in cooperating and coordinating Junior Achievement activities. The Danish project expressed interest in joining.
- **Support of Youth Entrepreneurs in South Serbia:** HELP and PPES agreed to cooperate on providing support to young entrepreneurs in the South.
- **Create a professional association of Youth Offices:** GIZ, PPES and the Ministry of Youth and Sport discussed cooperation on developing standards for Youth Offices and creation of an association of youth offices.
- **Roundtable on Career Guidance:** On behalf of other U.N. agencies, UNICEF invited all USAID projects to join a roundtable February 22 on career guidance to share with U.N. agencies.

IV. CHANGES TO WORK PLAN

Just one activity planned by Economic Security's Youth team has gone changed. The FY 2011 Work Plan proposed the creation of a Career Center at the State University in Novi Pazar similar to that opened at the International University of Novi Pazar in March 2010. Technical and administrative difficulties have kept the program from creating an appropriate career center at the state university. PPES and the University explored opportunities and agreed instead to create an Audio/Video Laboratory that will give students practical skills in video production and advertising. It also will improve the quality of locally available production services for local companies offering the possibility of practical opportunities for the students. The Sandzak Textile Association, ASSTEX, supported the project. It has created a partnership with the University that gives ASSTEX members access to the laboratory's services to improve and create visual identities and promotion of their companies and products. Each partnership with companies is an opportunity for students to develop the skills to make them more employable.

Fertilizing the ground for a new generation of farmers

For the majority of rural youth in Serbia, finding a job is an impossible mission. Every year, more youth seeking opportunity for themselves relocate to the cities. This creates a double-edged dilemma for rural areas. It drains the country's villages and rural areas of its youthful energy even as it limits Serbia's ability to take advantage of its vast potential for agricultural production; with agriculture representing 13 percent of the GDP, the importance of Serbia's agriculture is undeniable.

The City of Nis Pantelej municipality encompasses a combination of rural and smaller urban areas, putting it on the front lines of the rural-to-urban migration issue. Recognizing this, the Pantelej Youth Office entered into a partnership with the PPES Program to train local young people in natural compost production – a potentially lucrative, environmentally friendly industry with an easily accessible and abundant, if not a limitless, resource base.

This forward-looking effort allowed young entrepreneurs in Nis to learn how to produce composted fertilizer in accordance with the strict regulations required for organic certification. The potential for the compost industry in Serbia is big – currently the global compost market is estimated to be \$147 billion and the demand for organic food is growing and currently estimated to be \$60 billion annually worldwide. The production of organic food in Serbia is mostly targeted toward export markets, which fits well with the government's current strategy of promoting a more export-oriented economy.

A report published by ZOO Planet Nis – the project's implementing partner – shows that five young people are currently developing business plans to start composting businesses, with an additional 10 young entrepreneurs still investigating the business' potential. In some rural areas, organizers also allowed older people to attend training as the desire to learn



The Pantelej Youth Office trained rural youth in natural compost production – a potentially lucrative, environmentally friendly industry with an easily accessible and abundant, if not a limitless, resource base. Such enterprises offer rural youth the opportunity to stay close to home.

more about this lucrative business spread throughout neighboring communities.

The training covered modern natural compost production and its significance for modern agricultural production. It also addressed admin-

Pantelej – An Economic Overview

Pantelej municipality was formed in 2004 as one of five municipalities in the Nis metropolitan area. Comprising four urban and 12 rural communities, Pantelej is home to 48,000 people, of whom 20 percent are young people between 17 and 30.

The municipality's unemployment rate is 30 percent above the national average. Pantelej's main industry is agriculture.

The local Youth Office was founded in 2008, and one of its major focal points is to develop strategies to address youth unemployment. The office worked with PPES in 2009 to develop a Youth Entrepreneurship Action Plan, or "YEAP". Training young people in compost production, was one activity to come out of the plan.



istrative procedures connected to starting a new business, how to develop a business plan, and, finally, how and where to apply for funds for the start-up businesses. ZOO Planet printed 500 copies of the composting manual which were distributed to participants and the general public.

In Pantelej as well as the other 23 communities that partnered with PPES to develop their own Youth Entrepreneurship Action Plans (YEAPs), the plans are designed to raise awareness of what constitutes entrepreneurship and why such programs are important to municipalities' overall economic development plans. One of the main goals of the PPES-led activity is to help municipalities like Pantelej define their future activities, identify sources for financial support and mobilize local stakeholders to confront and participate in the solutions for increasing youth employment.

As an added value through working in the YEAP process, the Youth Office staff gained the management skills needed for tackling complex, cross-cutting community problems. As a result, as the compost training example illustrates, Pantelej is today ready to mobilize local stakeholders to address youth problems on a community-wide basis. For participating youth this was the gateway to the world of entrepreneurship and for many the defining point of their career choice.

As part of the Pantelej Youth Office YEAP activities, implementing partner, Zoo Planet, took its entrepreneurial message to the municipality's elementary schools.



Composting manual developed by Zoo Planet

ANNEX A: PERFORMANCE MONITORING PLAN - PREPAREDNESS AND PLANNING

# Indicator	Objective Unit	Disaggregated by	Year, Base-line	2007	2007
				2008	2008
				2009	2009
				2010	2010
				2011	March 2011
				Target	Actual
Performance Indicators:					
1	Score on Municipal Emergency Management Capacity Index (MEMCI)	IR 2.113	2006	N/A	59
				N/A	49 / 62
	Note: The score reported reflects the average base-line score of all MEMCI target municipalities that will be approved for inclusion in team activities.	Quantitative score	Municipality	N/A	N/A
				N/A	N/A
				N/A	N/A
3	Number of municipalities with policy/planning documents approved by locally elected authorities	IR 2.113		33%	33% (7/21)
			2006	30% (13/41)	32% (16/41)
				40% (25/60)	50% (30/60)
			0	50% (41/80)	68% (55/80)
				50%(70/140)	78% (62/80)
4	Number of municipalities certified as "enhanced disaster resilient"	Activity	1.1	2006	N/A
					10
				0	24
					40
					65
7	Number of municipalities surveyed for MEMCI baseline	1.1.3		2006	N/A
					70
				0	80
					80
					N/A

# Indicator	Objective Unit	Disaggregated by	Year, Base-line	2007	2007
				2008	2008
				2009	2009
				2010	2010
				2011	March 2011
				Target	Actual
10	Number of persons included in MEMCI inter-views Note: This activity is completed	1.1.3 Number (Cumulative)	Industry, Municipality	2006	113
				N/A	613
				0	650
				700	725
				N/A	725
13	Number of modules prepared and delivered in trainings □ Note: Based on revision of training curriculum, 7 training sessions are replaced with new methodology containing 3 training modules.	1.1.3 Number	Subject area	2007	6
				TBD	3
				0	3
				3	3
				3	4
14	Number of participants trained in target municipalities to monitor and plan for emergencies Note: This indicator reflects the total number of attendees at all training and capacity-building events. Audiences for any public events, such as field demonstrations, will be estimated and reported separately.	1.1.3 Number (Cumulative)	Municipality Event, Actual Persons, Repeaters through cycle	2006	258
				TBD	468
				0	775
				1000	1299
				1400	1440
15	Number of municipalities with drafted or approved local municipal response ordinances creating a "standing body"	1.1.3	Municipality, Approving body (executive or legislative)	2006	4
				0	20
				20	37
				35	54
				50	61
				60	

# Indicator	Objective Unit	Disaggregated by	Year, Base-line	2007 2008 2009 2010 2011	2007 2008 2009 2010 March 2011	
				Target	Actual	
16	Number of municipalities with communication and coordination elements and Risk Assessment Document incorporated into Response Plans	1.1.3	Municipality	2006	N/A	3
					31	30
					55	55
					70	72
					80	79
17	Number of municipalities certified as “enhanced disaster resilient” at all levels	1.1.3	Municipality	2006	N/A	N/A
					10	11
					24	28
					40	45
					65	52
19	Number of crisis simulations and exercises held	1.1.5	Simulations, Exercises	2006	4	3
					6	6
				0	8	8
					10	10
					15	10
20	Number of forums held for networking between Mayors and municipal-level technical experts (CMG meetings)	1.1.5	Municipality, Sector, Event, Date	2006	2	1
					3	3
				0	2	3
					4	9
					2	2
Note: This indicator reflects the total number of capacity-building events that are not training sessions, such as networking events, conferences, and municipal exchanges.						

# Indicator	Objective Unit	Disaggregated by	Year, Base-line	2007 2008 2009 2010 2011	2007 2008 2009 2010 March 2011	
				Target	Actual	
21	Number of national conferences or local workshops held on media role and responsibility in crisis	1.1.7	Event, Date	2006	3	0
					3	4
				0	0	0
					0	0
				Note: This activity is completed	0	0
22	Number of participants in workshops to improve media responsibility in crisis	1.1.7	Event, Date	2006	TBD	N/A
					45	N/A
				0	0	0
					0	0
				Note: This activity is completed	0	0
23	Number of Crisis Monitoring Bulletins produced	1.1.8	Date	2006	12	13
					12	19
				0	12	12
					12	12
				Note: One report produced each month		12
25	Surge Planning Documents Produced	1.1.10		2006	1	2
					2	2
				0	1	1
					0	0
				Note: This activity is completed		0
28	Number of surge staff fielded in response to crisis	1.2.1		2006	N/A	N/A
					N/A	N/A
					N/A	N/A
				0	N/A	N/A
					N/A	N/A

# Indicator	Objective Unit	Disaggregated by	Year, Base-line	2007	2007
				2008	2008
				2009	2009
				2010	2010
				2011	March 2011
				Target	Actual
29	Number of days to field surge staff complement	1.2.1 Number	2006	N/A	N/A
			0	N/A	N/A
				N/A	N/A
				N/A	N/A
				N/A	N/A
30	Number/Tons of commodities delivered to designated site(s)	1.2.2 Number	2006	N/A	N/A
			0	N/A	5
				N/A	N/A
				N/A	N/A
				N/A	N/A
31	USD \$ Value of commodities	1.2.2 USD	2006	N/A	\$231,886
			0	N/A	\$239,096
				N/A	\$7,210
				N/A	N/A
				N/A	N/A
32	Number of grants responding to crisis	1.2.3 Number	2006	N/A	2
			0	N/A	1
				N/A	N/A
				N/A	N/A
				N/A	N/A

Notes: Indicators 21, 22 were removed after Y1 as they no longer reflected the team's strategy

Indicators 5-6 were removed (surge grants and value of commodities) as they duplicated those under 1.2

Indicator 18 was removed as it duplicated impact indicator #4, based on the update of the strategy which ceased to distinguish among "levels" of certification

The indicators are not sequential as some have been dropped over time, as the Component has shifted focus.

PERFORMANCE MONITORING PLAN - ECONOMIC SECURITY

#	Indicator*	Objec- tive Unit	/	Disaggregated Data Source:	by	/	Year, Base- line	2007 2008 2009 2010 2011	2007 2008 2009 2010 March 2011
								Target	Actual
Performance Indicators:									
1	Number of enterprises receiving business development services from USG-assisted sources	2.1	Industry Gender	Municipality	2006	N/A	200	133	
							250	243	
							270	318	
							345	354	
							365	356	
2	Number of micro enterprises receiving business development services from USG-assisted sources Note: There is currently a methodological problem with the TAMIS data accumulation for this indicator, which is, as a company grows and no longer fits the definition of microenterprise it is subtracted from this total. This issue will be addressed before the next reporting period	2.1	Industry Gender	Municipality	2006	0	N/A	N/A	
							200	190	
							200	218	
							233	220	
							240	221	
3	Number of enterprises participating in USG-assisted value chains	2.1	Industry Municipality	Gender	2006	0	120	93	
							150	130	
							170	143	
							170	179	
							199	179	

#	Indicator*	Objective / Unit	Disaggregated Data Source:	by /	Year, Base-line	2007	2007
						2008	2008
						2009	2009
						2010	2010
						2011	March 2011
						Target	Actual
4	Number of micro enterprises participating in USG-assisted value chains Note: There is currently a methodological problem with the TAMIS data accumulation for this indicator, which is, as a company grows and no longer fits the definition of microenterprise it is subtracted from this total. This issue will be addressed before the next reporting period	2.1	Industry Municipality Gender Project data in TAMIS	Number	2006	N/A	N/A
						100	95
					0	110	131
						146	135
						155	135
5	Increase in sales in enterprises supported Note: Actual 2010 result based on complete 2010 sales data. Result reported in SA#9 (Oct 2010) of 45% was based on partial year data. 2011 actual will not be available until February 2012. Based on 97 of companies reporting sales data for last four years.	2.1	Company Industry Municipality Master Sales Table	%	2006	0	0
						5%	42%
					0	10%	35%
						45%	45%
						45%	TBD
6	Increase in sales in microenterprises supported Note: Actual for 2010 shows weighted sales increase and arithmetic average increase (in brackets). Based on 58 companies, reporting all sales data from 2007 to 2010.	2.1	Company Industry Municipality Master Sales Table	%	2006	0	0
						5%	10%
					0	10%	33%
						38%	59%
						59%	N/A
7	Number of youth receiving ES program assistance	2.1/2.2/ 2.3 Number	Municipality Gender; Project records input into TAMIS	Project data	2007	N/A	N/A
						N/A	N/A
					0	1200	3406
						5200	5943
						6500	6950

#	Indicator*	Objec- tive Unit	Disaggregated Data Source:	by	/	Year, Base- line	2007	2007
							2008	2008
							2009	2009
							2010	2010
							2011	March 2011
							Target	Actual
Monitoring Indicators (Businesses):								
8	Number of initial sub-sectors/value chains defined	2.1.1; Number of active sectors	Industry Municipality; Project data input into TAMIS/ Project report			2006	7	10
							10	10
						0	2	2
							3	3
							3	3
9	Number of sub-sector reports produced, guiding project activities	2.1.3 Number	Industry Municipality Project data input into TAMIS/ Sub-sector reports			2006	7	10
							10	10
						0	11	11
							11	11
							11	11
10	Number of profiles of companies in targeted municipalities reported in TAMIS	2.1.3 Number	Industry Municipality Project data input into TAMIS/ Project report			2006	N/A	N/A
							300	306
						120	320	368
							367	406
							426	410
11	Number of workshops conducted with business community	2.1.3 Number	Industry Municipality PO reports/ Project report			2007	N/A	N/A
							14	9
						0	20	17
							26	33
							47	42
12	Number of sub-sector level interventions/action plans defined in cooperation with the business community	2.1.3 Number	Industry Municipality Project data input into TAMIS/ Project report			2007	N/A	N/A
							10	7
						0	12	7
							0	0
							0	0

#	Indicator*	Objective / Unit	Disaggregated Data Source:	by	/ Year, Base-line	2007	2007
						2008	2008
						2009	2009
						2010	2010
						2011	March 2011
						Target	Actual
13	Number of firms eligible for assistance based on their potential to grow and capture new markets.	2.1.5 Number	Industry		2007	N/A	N/A
			Municipality			270	278
			Gender		45	290	347
			PO/Project reports			383	384
						384	385
14	Number of trade shows and Trade Missions attended through program assistance	2.1.5 Number Number (Cumulative)	Industry		2006	N/A	N/A
						10	10
			Project reports		0	14	10
						18	18
						24	23
15	Number of companies attending Trade Fairs or Trade Missions Note: cumulative – one company may have attended more than one trade fair or trade mission.	2.1.5 Number	Industry	Municipality	2007	N/A	N/A
			Gender			80	152
			Project		0	95	225
			reports			204	204
						256	237
16	Number of people attending Trade Fairs or Trade Missions Note: cumulative – one company may have attended more than one trade fair or trade mission.	2.1.4 Number	Gender	Municipality	2007	N/A	N/A
			Industry			150	362
			Project reports		0	180	362
						416	416
						436	491

#	Indicator*	Objective / Unit	Disaggregated Data Source:	by	/ Year, Base-line	2007	2007
						2008	2008
						2009	2009
						2010	2010
						2011	March 2011
						Target	Actual
17	Number of business people receiving training in improving business-related skills Note: Total individuals reached (<u>not</u> participants). This indicator represents the total number of <u>individuals</u> reached through ES training and not the total number of training participants.	2.1.4 Number	Municipality	Gender	2006	100	223
						300	484
						0	330
						568	668
						688	737
18	Number of companies receiving intensive technical assistance	2.1.5 Number	Industry Gender; Master Sales Tracking Table	Municipality	2006	20	41
						60	81
						0	70
						118	136
						136	137
23	Number of companies linked to new buyers Note: Companies linked to new buyer through trade fairs.	2.1.5 Number	Company Industry Municipality Project data in TAMIS		2007	N/A	N/A
						75	92
						0	85
						117	117
						137	134
24	New jobs created in firms supported Note: The project's primary focus is sales, and using TA to increase sales. We are no longer using production inputs to increase jobs.	2.1.5 Number	Company Industry Project data in TAMIS	Municipality	2006	150	114
						150	126
						0	170
						157	157
						177	189

#	Indicator*	Objective / Unit	Disaggregated Data Source:	by	/	Year, Base-line	2007	2007
							2008	2008
							2009	2009
							2010	2010
							2011	March 2011
							Target	Actual
25	Number of youth receiving assistance through the ES program	2.1 / 2.2 / 2.3 Number	Municipality Gender Project data input into TAMIS			2008	N/A	N/A
							N/A	N/A
							1200	3406
							5200	5943
							6500	6950
26	Number of schools implementing Junior Achievement program Note: Targets for FY11 revised as per JA business plan	2.1.4 / 2.1.6 Number	Municipality Project data input into TAMIS			2007	N/A	N/A
							12	20
							40	93
							150	164
							200	180
27	Number of students participating in Junior Achievement program Note: Targets for FY11 revised as per JA business plan.	2.1.4 / 2.1.6 Number	School Municipality Gender Project data in TAMIS			2007	N/A	N/A
							240	679
							1000	2700
							4000	4750
							5000	5400
28	Number of municipalities covered by the Junior Achievement program Note: Targets for FY11 revised as per JA business plan.	2.1.4 Number	Municipality Project data input into TAMIS			2007	N/A	N/A
							7	7
							20	36
							40	52
							60	62
29	Number of youth assisted through Youth Office Entrepreneurship program	2.2 Number	Municipality Project data input into TAMIS			2008	N/A	N/A
							N/A	N/A
							N/A	620
							1100	1033
							1500	1550

#	Indicator*	Objective / Unit	Disaggregated Data Source:	by /	Year, Base-line	2007	2007
						2008	2008
						2009	2009
						2010	2010
						2011	March 2011
						Target	Actual
30	Number of schools assisted Note: In addition to JA program; No new schools will be assisted directly. PPES will monitor progress of already-assisted schools.	2.1.4 / 2.1.6 Number	Municipality Project data input into TAMIS		2008 0	N/A	N/A
						N/A	N/A
						5	27
						40	41
						41	41
31	Number of companies supporting youth activities Note: It is expected that additional 30 companies will assist JA.	2.1.4 Number	Industry; Municipality Type of support Project data input into TAMIS		2008 0	N/A	N/A
						N/A	N/A
						20	61
						80	147
						108	160
32	Number of interns in ES supported internship programs Note: Not a cumulative number. This activity is completed.	2.1.4 Number	School Municipality Gender Project data input into TAMIS		2008 0	N/A	N/A
						N/A	N/A
						25	50
						150	160
						N/A	N/A

ANNEX B

PPES WORK IN ECONOMICALLY DEVASTATED MUNICIPALITIES

Legend: ■ Preparedness and Planning ■ Economic Security

Team	Municipality	Population	Team	Municipality	Population
■	Babušnica	100,133	■ ■	Lebane	24,006
■ ■	Bela Palanka	14,381	■	Ljubovija	15,873
■ ■	Blace	12,995	■	Mali Zvornik	13,521
■	Bojnik	12,322	■	Malo Crniće	13,257
■	Bosilegrad	8,973	■ ■	Medveđa	10,402
■ ■	Bujanovac	45,107	■	Merošina	14,244
■ ■	Varvarin	20,122	■	Mionica	15,870
■ ■	Vladičin Han	24,676		Nova Crnja	12,705
■ ■	Vlasotince	32,163	■	Osečina	14,208
■ ■	Gadžin Han	9,445	■ ■	Plandište	13,377
■	Golubac	9,392	■ ■	Preševo	38,385
■	Doljevac	18,645	■ ■	Prijepolje	40,178
	Žabari	18,247		Ražanj	10,227
■ ■	Žagubica	14,205	■	Rača	12,959
■	Žitište	19,014	■ ■	Rekovac	12,388
■	Žitорађа	17,647	■ ■	Svrljig	17,284
	Knić	16,148	■ ■	Sjenica	28,048
■ ■	Krupanj	19,032	■	Trgovište	5,837
■ ■	Kuršumlija	20,361	■	Tutin	31,428
■	Kučevo	17,825	■	Crna Trava	2,041

Notes:

- Government's definition of economically devastated municipality – level of development below 50% of the national average.
- There are 40 municipalities classified as economically devastated;
- PPES works in 36 of 40 devastated municipalities (90%);
- The PP team works in 35 of 40 devastated municipalities (87.5%)
- The ES team works in 19 of 40 devastated municipalities (47.5%), including all such designated municipalities in the program's two areas of intensive assistance – South Serbia and Sandzak.

COMPANIES RECEIVING ISO CERTIFICATION ASSISTANCE

#	Company	Location	Primary Product	Status
SOUTH SERBIA				
1	Anitex	Bosilegrad	Socks / Lingerie	Ready for certification
2	Atlas Electronics	Surdulica	Electric meters	Ready for certification
3	Celiku	Presevo	Window frames	Minor improvement needed
4	Feniks	Vranje	Furniture	Ready for certification
5	Inak	Bosilegrad	Wood works	Ready for certification
6	Keramika	Leskovac	Ceramic products	Ready for certification
7	MermoLux	Leskovac	Marble radiators	Minor improvement needed
8	Pegasus	Vranje	Furniture	Ready for certification
9	Tina Trade	Vranje	Furniture	Minor improvement needed
10	Zeniti	Presevo	Metal works	Minor improvement needed
SANDZAK				
1	Brocat	Novi Pazar	Apparel	Mock Certification under way
2	Brug	Novi Pazar	Apparel	Mock Certification under way
3	Classic	Novi Pazar	Apparel	Mock Certification under way
4	Denistar	Novi Pazar	Apparel	Mock Certification under way
5	His	Novi Pazar	Apparel	Mock Certification under way
6	Join	Novi Pazar	Apparel	Mock Certification under way
7	Maxer	Novi Pazar	Apparel	Mock Certification under way
8	Stig	Novi Pazar	Apparel	Mock Certification under way
9	Trendtex	Prijepolje	Apparel	Mock Certification under way
10	TriB	Novi Pazar	Apparel	Mock Certification under way
11	SEDA (Sandzak Economic Development Agency)	Novi Pazar	Economic Development Agency	Mock Certification under way

ANNEX D

YOUTH OFFICE ASSISTANCE SUMMARY

#	Municipality	YOC Attended Training 1	YOC Attended Training 2	YO Organized Entrepreneurship Trainings	YEAP Adopted	YEAP Implemented
Cohort 1: Youth Offices that joined program in 2008						
1	Čoka	✓	✓	✓	✗	/
2	Senta	✓	✓	✓	✓	On-going
3	Kula	✓	✓	✓	✗	/
4	Bačka Topola	✓	✓	✓	✓	On-going
5	Ada	✗	✓	✓	✗	/
6	Bački Petrovac	✓	✓	✓	✗	/
7	Novi Bečej	✓	✓	✓	✗	/
8	Bečej	✓	✓	✓	✓	Completed
9	Zvezdara	✓	✗	✓	✗	/
10	Palilula	✓	✓	✓	✓	Completed
11	Novi Beograd	✓	✓	✓	✗	/
12	Obrenovac	✓	✓	✓	✗	/
13	Voždovac	✗	✓	✓	✗	/
14	Vračar	✓	✗	✓	✗	/
15	Savski venac	✓	✗	✓	✗	/
16	Panteleji Niš	✗	✓	✓	✓	Completed
17	Palilula Niš	✗	✓	✓	✓	Completed
18	Bela Palanka	✓	✓	✓	✗	/
19	Knjaževac	✓	✓	✓	✓	Completed
20	Trstenik	✓	✓	✓	✗	/
21	Ćićevac	✓	✗	✓	✓	On-going
22	Paraćin	✗	✓	✓	✓	On-going
23	Loznica	✓	✓	✓	✓	Completed
24	Lajkovac	✓	✓	✓	✓	Completed
25	Arilje	✓	✓	✓	✗	/
26	Priboj	✓	✗	✓	✗	/
27	Prijepolje	✓	✓	✓	✓	On-going
28	Varvarin	✓	✓	✗	✗	/
29	Valjevo	✓	✓	✓	✗	/
30	Čajetina	✓	✗	✗	✗	/
31	Nova Varos	✓	✓	✓	✗	/
Cohort 2: Youth Offices that joined program in 2009						
1	Aleksandrovac	✓	✓	✓	In process	/
2	Aleksinac	✓	✓	✓	In process	/
3	Alibunar	✓	✗	✗	✗	/
4	Barajevo	✗	✓	✗	✗	/
5	Bela Crkva	✓	✓	✗	✗	/

#	Municipality	YOC Attended Training 1	YOC Attended Training 2	YO Organized Entre- preneurship Trainings	YEAP Adopted	YEAP Implemented
6	Blace	✓	✓	✓	In process	/
7	Bujanovac	✓	✓	✓	✗	/
8	Gadžin Han	✓	✓	✗	✗	/
9	Ivanjica	✓	✓	✓	✗	/
10	Sremski Karlovci	✓	✓	✓	✗	/
11	Kikinda	✓	✓	✓	✗	/
12	Kladovo	✓	✓	✓	✗	/
13	Krupanj	✓	✓	✓	✗	/
14	Lebane	✓	✓	✓	✗	/
15	Leskovac	✓	✓	✓	In process	/
16	Majdanpek	✓	✓	✓	✗	/
17	Nova Crnja	✓	✗	✗	✗	/
18	Novi Pazar	✓	✓	✓	In process	/
19	Odžaci	✓	✓	✗	✗	/
20	Plandište	✓	✓	✓	✗	/
21	Ruma	✓	✓	✓	✓	/
22	Sjenica	✓	✗	✗	✗	/
23	Sokobanja	✓	✓	✓	✗	/
24	Sombor	✓	✗	✗	✗	/
25	Surdulica	✓	✓	✓	✓	/
26	Svilajnac	✓	✓	✓	✗	/
27	Svrljig	✓	✓	✓	✗	/
28	Veliko Gradište	✓	✓	✓	✓	/
29	Vlasotince	✓	✓	✓	In process	/
30	Vršac	✓	✗	✗	✗	/
31	Žagubica	✓	✓	✓	✗	/
32	Zaječar	✓	✗	✓	In process	/
33	Užice	✗	✓	✓	✗	/
34	Zrenjanin	✓	✓	✓	In process	/
Cohort 3: Youth Offices that joined program in 2010						
1	Bačka Palanka	✓	✓	✓	✗	/
2	Bojnik	✓	✓	✓	✗	/
3	Despotovac	✓	✓	✓	✗	/
4	Dimitrovgrad	✓	✓	✓	✗	/
5	Golubac	✓	✓	✗	✗	/
6	Irig	✓	✓	✓	✗	/
7	Kanjiža	✓	✓	✓	✗	/
8	Kosjerić	✗	✓	✓	✗	/
9	Kragujevac	✗	✓	✓	✗	/
10	Kruševac	✓	✓	✓	✗	/
11	Kuršumlija	✓	✓	✓	✗	/
12	Lapovo	✓	✓	✓	✗	/
13	Lazarevac	✓	✓	✓	✗	/
14	Ljubovija	✓	✓	✓	✗	/
15	Mali Iđoš	✓	✓	✓	✗	/
16	Pećinci	✓	✓	✓	✗	/

#	Municipality	YOC Attended Training 1	YOC Attended Training 2	YO Organized Entre- preneurship Trainings	YEAP Adopted	YEAP Implemented
17	Petrovac na Mlavi	✓	✓	✓	✗	/
18	Požarevac	✓	✓	✓	✗	/
19	Požega	✓	✓	✓	✗	/
20	Preševo	✓	✓	✓	✗	/
21	Prokuplje	✓	✓	✓	✗	/
22	Šid	✓	✓	✓	✗	/
23	Smederevo	✓	✓	✓	✗	/
24	S. mitrovica	✓	✓	✓	✗	/
25	Stara pazova	✓	✓	✓	✗	/
26	Temerin	✓	✓	✓	✗	/
27	Tutin	✓	✓	✓	✗	/
28	Ub	✓	✓	✓	✗	/
29	Vladičin Han	✓	✓	✓	✗	/
30	Vranje	✓	✓	✓	✗	/
31	Zemun	✓	✓	✓	✗	/
32	Žitište	✓	✓	✓	✗	/
33	Žitorađa	✓	✓	✓	✗	/

SUMMARY OF PPES MEDIA COVERAGE

I. Introduction

During the reporting period, October 2010 to March 2011, the PPES Communications Office continued to provide tailor-made communication and public relations solutions in support of program activities. The Communications Office (CO) developed and deployed carefully crafted messages through selected channels to program stakeholders to give the program's achievements maximum exposure and recognition.

Growing use of Internet in Serbia

According to researchers, the number of Internet users in Serbia has more than doubled from 23.9 percent in 2006 to 52 percent of the population in 2010.

Three specific type of media received special attention from the Communications Office:

1) National and regional TV outlets - as the prime and most-trusted source of information for the people in Serbia⁵⁴;

2) Internet-based media - The Internet is the fastest- growing source of information for Serbian citizens, especially among the program's key target audiences of youth and entrepreneurs; and,

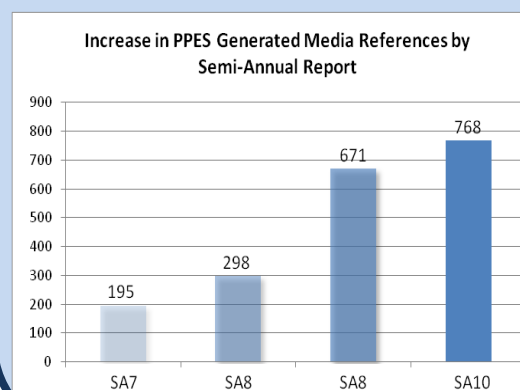
3) Specialty and feature articles - to expand PPES' reach and secure more in-depth coverage for program activities.

II. Communications Achievements in Strategic Communications

The strategy employed during the reporting period was designed to meet three communication objectives:

- 1) Ensure accurate, timely flow of information among stakeholders;**
- 2) Deliver information in a way that fosters knowledge and understanding among citizens; and,**
- 3) Refine feedback mechanisms to provide useful information to project management.**

Figure E1 – Increase in number of generated media references by SAR



⁵⁴ A 2008 survey conducted in Serbia by Strategic Plus Group showed that three of every five citizens use TV outlets as their main source of information and consider it to be the most trustworthy.

A. Communications Activities

The PPES Communications Office prepared 37 press releases; organized 25 events highlighting the work of both components, published 23 new articles on the program's website; and placed 10 specialty articles and television broadcasts featuring program staff and partners in daily newspapers, government publications, Serbian Public TV and regional TV stations in Sandzak and South Serbia.

As a result of these activities, the office continues to expand the exposure of PPES; coverage in this period increased 29 percent from 671 media references to 866.

The team has increased the number of media references from an average of 33 per event to 35.

Press Releases: During the reporting period the Communications Office issued 37 press releases. The continued growth in media exposure of PPES as can be seen in Figure E1. To achieve the goal of creating greater understanding of the benefits citizens and stakeholders receive from PPES, the office expanded the materials provided to the media for each event. In this period, press packets included: the basic press release, fact sheet, profiles of key participants and key data of the companies or organizations involved in the

event.

PPES

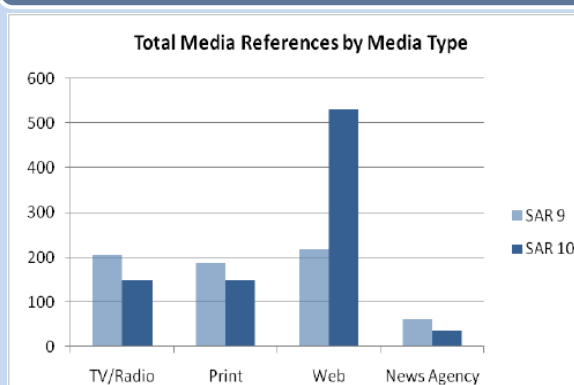
basic bro-

chures were also updated; two and four-page background materials were made available to media, participants and stakeholders at events. This is all designed to provide media with the information needed to prepare stories that are factually correct but delivered with perspective so the audience can connect the impact of PPES with results important to their personal lives.

"USAID PPES program works to improve safety in Vojvodina municipalities"

RTV Vojvodina, Novi Sad, December 7, Regional Discussions

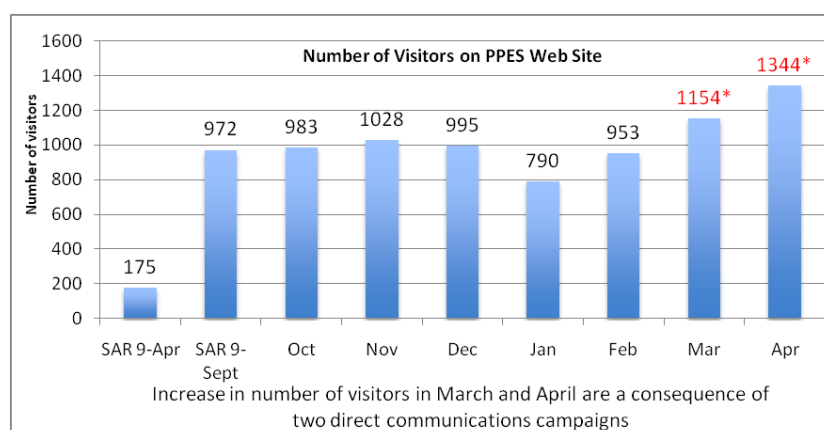
Figure E2 – Number of generated media references by media type



Television: Making the link between USAID and PPES activities and the concrete benefits and improvements for the citizens of Serbia was a key objective. Television was targeted to take advantage of its broad reach and acceptance as a trusted source. TV journalists were provided with information and contacts to help them do more than cover an event. The office worked to gain more in-depth reporting for the journalists. Regional and local TV stations received special attention from the office as the second most-followed news source in Serbia. Together with already established relationships with journalists from local and regional media outlets, the office was able to create quality local- and regional level coverage for the program and its partners. The best example was the coverage secured for the companies that exhibited at the Poznan International Fair: this made a direct link between PPES actions and economic security in Sandzak- all regional TV stations in Sandzak carried broadcasts on the event together with statements from both participating company's owners and PPES Program Officers. During the Ten Ambassadors Visit to Sandzak event on November 29, Serbian Public TV not only covered the round table but it also broadcast a special 30-minute TV show on the Sandzak textile industry and the round table.

Web: The CO team has turned the PPES website into a reliable information source for stakeholders, media representatives and the general public. Throughout the reporting period, the CO team posted 23 updates of events and results on the site. The rapid growth in use of the website during the last reporting period when the changes were introduced could not be sustained without a marketing activity to drive viewers to the site over and over again. The implementation of more direct communications proved that with communications support, it is possible to increase the visibility and use of the site as can be seen in Figure E3. The website was visited an average of 1,000 times per month. The team now updates the site once a week with current news on PPES activities and events.

Figure E3 – An overview of PPES website traffic



Specialty Articles: These articles are specially placed into publications or broadcast programs and allow for in-depth storytelling about the work of the program. The Communications Office focused on these message delivery tools because at this point in the lifecycle of the program, the work of the component is more than a series of activities. Today, there is evidence of profound change among the program's stakeholders of each component and these changes matter to Serbian citizens – the goal was to ensure citizens heard the story.

The Communications Office placed 10 specialty print articles and TV broadcasts. They focused on the following program story lines:

- Component 1:** The component's leadership in the reform and modernization of the country's emergency management system. In the four years of the component's work, Serbia's emergency management has been transformed from one dependent on international support in the face of an emergency to one studied as a model for local government disaster management reform.
- Component 2:** Business Support's innovative efforts to open the consumer market of Poland to Serbian apparel manufacturers. The component's efforts have supported the textile industry growth from a business sector that had little impact on the country's economy to one now considered to be a vital player in the national strategy to become an export-oriented economy.



Serbian Government publication *Decentralizator* published a two-page feature article on Preparedness and Planning

Direct Communications: During the reporting period, the Communications Office compiled a single data base of over 1,000 stakeholders for both components to expand the use of internal communications – keeping program partners and participants apprised of one another’s successes and accomplishments. In the first uses of the database for internal communications, the Office discovered that between 1/3 and 1/2 of stakeholder information has been changed since first compiled. Maintaining the database will become part of this communications activity to keep it updated. The database was used to implement two direct communications campaigns, one for each component:

“Economic Security Program helped Serbian SME’s to make \$11 million in new sales”

Blic Daily, March 2,

Trade Fair in Poland

1. Update stakeholders of the Preparedness and Planning team on the Training of Mayors as Heads of Disaster Management Teams. A total of 1,056 emails were sent to mayors, deputy mayors, local emergency managers, and all participants at Component 1 events, trainings and meetings, providing information on the significance of the Mayors’ training as a milestone in the transition of PPES methodology to the NTC. The email directed recipients to the PPES website, which provided complete details and photographs. This direct communications increased the number of visitors on the website by 15 percent.
2. To share with all businesses working with the Economic Security team of the accomplishments of the Sandzak Textile Association, ASSTEX, and its members in Poland. An email communications was sent out the day after the seven companies attending Poland’s Poznan Fair signed the contract with its new trading partner, Prelic. Even though PPES companies come from a diverse group of business sectors, they have become a cohort working together in training and technical assistance activities. Adding direct communications to the other day-to-day press activities underpins the natural network supported companies represent for one another and the economies of South Serbia and Sandzak. A total of 800 emails were sent to business owners, Youth Office Coordinators, young entrepreneurs, and political and economic decision makers. Again, all were invited to review the entire story on the website.

“USAID responsible for \$10 million in sales”

Privredni Pregled Weekly, March 2,

Poznan Trade Fair

The Communications Office intends to continue the use of this message delivery tool to work with internal stakeholders in the same way companies use it to maintain customer relations.

Messages Developed for PPES



ASSTEX Stand at Poznan International Fair. Poznan, Poland, March 2011



Youth Office in Panteleij presents results from its YEAP implementation. Nis, March 2011



Enhanced Disaster Resilience Certification Event.

Thematic message for Economic Security Component – Business Support was: Economic Security (ES) helps businesses in South Serbia and Sandzak enter important new markets and increase export sales.

Thematic Message for Economic Security Component – Youth Support was: ES helps young people in Serbia to become more competitive on the job market. ES develops entrepreneurship skills to help young people take greater responsibility for their future.

Thematic message for Preparedness and Planning Component’s activities was: Preparedness and Planning’s local government emergency management training and technical assistance methodology enhances municipalities’ readiness to prevent disaster and protect citizens and their property when disaster strikes.

B. Media Analysis

The Communications Office instituted a media monitoring and analysis activity this period to determine not only the number of media exposures but whether its message is achieving the goals of audience understanding and knowledge sharing. Testing the research methodology on a small sampling of stories generated during November 2010, the communications team discovered that media coverage was more likely to over emphasize the “bad news” statistics, i.e., the weaknesses in the country’s emergency management system, high youth unemployment, or the devastated economies of South Serbia and Sandzak. The use of unemployment or economic information, delivered as part of the story to put PPES’ efforts into the national context, too often became the lead of the story.

Table E1 - Categories Evaluated by the Communications Office

Evaluated Category:	Average Score
Benefit for the citizens was clearly communicated	3.25
Results and impact of the PPES action were communicated	4
Positive results for USAID were communicated	3.25
Message Clarity	4
Presence of a direct link between USAID and the benefit	3
Total:	3.5

With this new information about how the media would target the bad news, the Communications Office re-framed messages to ensure stories were equal in their coverage of the success of PPES activities and the impact for municipalities, the economy, and its individual partners and participants.

A follow-up evaluation of 60 articles covering 15 events

reveal that changes in message and organization of story information helped change the media’s focus.

The Communications Office established five objectives as definitions for whether or not PPES coverage was achieving understanding and knowledge sharing; they are listed in Table E1. Applying a five-point scale (from **one** - not clear to **five** - very clear) to each criterion, the team evaluated the results of its work. In this first full analysis of the program’s media coverage, the team is pleased with the initial results related to the reporting on the impact of PPES activities and the clarity with which its messages are being reported. The overall results demonstrate that, going forward, the team needs to regularly re-evaluate its content and message delivery mechanisms to improve citizen understanding and audience recognition of the link between USAID investments and direct citizen benefits. Analysis is reported in Figure E4.

After success in Poland, Asstex makes it into *IN* section of the biggest daily newspaper in Serbia, *Blic*

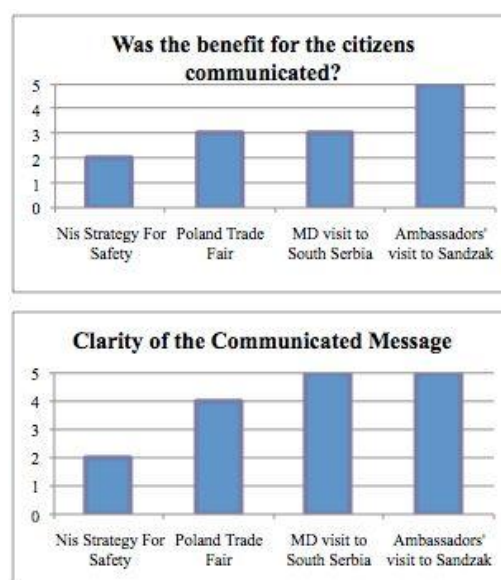
IN

VLADIMIR PUTIN
Univerzitet u Beogradu pokrenuo je inicijativu za dodelu počasnog doktorata premijeru Rusije

NOVOPAZARSKI TEKSTILCI
Poljska kompanija “Prelis” distribuirae asortiman sedam firmi iz Novog Pazara na tržištu Poljske

NENAD KRSTIĆ
Kapiten košarkaša Srbije dobro je odigrao u prve dve utakmice nakon prelaska u Boston Seltikse

Figure E4 - Results from the two most important evaluation areas



Four events were studied for this analysis. Preparedness and Planning's case study was the Nis Safety Strategy Promotion Event (September 30). For Economic Security – Business Support, the case study was the trade fair visit to Poznan International Fair, Poland (March 1-3) and for Component 2 – Youth Support, it was the USAID Mission Director's Visit to South Serbia (November 3/4).

Other Communication Tools: The communications team has supported Program Officer's individual activities to help them promote, report or follow up on key actions. Table E2 provides an overview of these additional documents developed by the PPES Communications Office and the way in which the CO provided service to the components.

Table E2 – Editing and Design Services Provided by the Communications Office

Content	Type of Document	Service Provided
Preparedness and Planning	Kraljevo Earthquake Situation Report (8 issues - 2 per day)	Editing and desing
	Minutes of the November 29 Round Table held in Sandzak	Editing and desing
	An overview of Halal meat and Textile industry business challenges	Editing and desing
Economic Security	Minutes of the meeting with Minister of Economy and Regional Development held after the Round Table	Maintained event records and provided report (editing and design)
	Overview of the Textile Industry in Sandzak	Text, editing and design
	Asstex Promotional Material for Poznan International Fair	Text, editing and design
	Minutes of the Meeting of the international NGOs on Youth Support	Maintained event records and provided report (editing and design)

III. PPES Events Overview:

During the reporting period the PPES Communications Office organized a total of 37 events, listed in Table E3. Table E4 gives an overview of the VIP guest attendance at PPES events, while Figure E5 gives a general media statistic overview of the generated media references per high profile event.

Table E3 shows an overview of PPES events with VIP attendance details:

Component / Event	Date	VIP Attendance
PP/ Nis Safety Strategy	September 30	Assistant Minister of Interior, Mayor
ES / Club Privrednik Event	October 6	USAID DMD
ES / YEAP Pantelej	October 7	Mayor
ES / Trade Mission to Poland	October 25	N/a
ES / ISO Certification Sandzak	October 27/28	USAID MD
PP & ES / USAID MD visit to Sandzak	November	USAID MD, Mayor
PP & ES / USAID MD visit to South Serbia	November 3/4	USAID MD, Mayor
ES / YEAP, YO MoU, Trainings (8 individual events)	Nov. 15/19	N/a
PP / CMG Meeting Belgrade	November 24	Red Cross Secretary General
ES / Belgrade Furniture Fair	Nov. 15/19	N/a
ES / Tirana Trade Fair	November 25	N/a
ES / U.S. Ambassador visit to Sandzak, Roundtable Discussion	Nov. 29/30	US AMB, Minister of Economy and Rural Development, nine ambassadors, Mayor
PP / Certification event, Belgrade	December 7	USAID MD
ES / Manpower in Zrenjanin	December 8	N/a
ES / Manpower in Krusevac	December 9	N/a
PP / Regional Meeting, Novi Sad	December 9	Regional Minister
PP / Regional Meeting, Kragujevac		Mayor
PP / Regional Meeting, Nis	December 24	Mayor
PP / U.S. Ambassador visit to Kraljevo	January 27	US AMB
ES / YO Entrepreneurship Training	February	Mayor
ES & PP / MD visit to Vojvodina	Feb. 23/25	USAID MD, Mayor
ES / Poland Trade Fair	March 1/3	Serbian Ambassador to Poland
PP / Training of Mayors as Heads of Local Disaster Management Teams	March 15	Assistant Minister of Interior
PP & ES / MD visit to South Serbia	March 21/23	USAID MD, Mayor
ES / YEAP Public Discussion, Zajecar	March 28	Mayor
ES / YEAP implementation results, Nis	March 30	N/a

Figure E 5 – Number of references per high ranking event

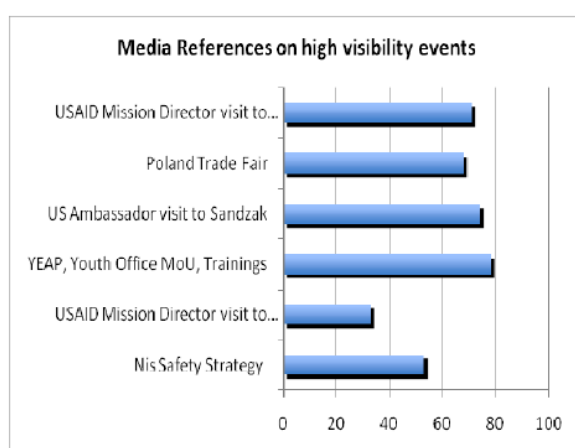


Table E4– Number of VIP Visitors per event

VIP Guests Attendance at PPES Events	
USG senior representative	9 events
Serbian government high-level officials	4 events
Serbian local government high-level officials	12 events